

## IMPORTANT NOTICE

ATTACHED IS AN ELECTRONIC COPY OF THE OFFERING MEMORANDUM (THE “**OFFERING MEMORANDUM**”), DATED 20 APRIL 2015, RELATING TO THE OFFERING OF U.S.\$300,000,000 FIXED-TO-FLOATING NOTES DUE 2045 BY WILLOW NO. 2 (IRELAND) PLC. SECURED BY THE U.S.\$300,000,000 FIXED-TO-FLOATING DATED SUBORDINATED NOTES DUE 2045 OF ZURICH INSURANCE COMPANY LTD. THE NOTES DESCRIBED IN THE OFFERING MEMORANDUM HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S., EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE OFFERING MEMORANDUM IS CONFIDENTIAL AND WILL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR WILL THERE BE ANY SALE OF THE NOTES IN ANY JURISDICTION WHERE SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY JURISDICTION.

DISTRIBUTION OF THIS ELECTRONIC TRANSMISSION OF THE OFFERING MEMORANDUM TO ANY PERSON OTHER THAN (A) THE PERSON RECEIVING THIS ELECTRONIC TRANSMISSION FROM THE MANAGERS ON BEHALF OF THE ISSUER AND (B) ANY PERSON RETAINED TO ADVISE THE PERSON RECEIVING THIS ELECTRONIC TRANSMISSION WITH RESPECT TO THE OFFERING CONTEMPLATED BY THE OFFERING MEMORANDUM (EACH, AN “**AUTHORISED RECIPIENT**”) IS UNAUTHORISED. ANY PHOTOCOPYING, DISCLOSURE OR ALTERATION OF THE CONTENTS OF THE OFFERING MEMORANDUM, AND ANY FORWARDING OF A COPY OF THE OFFERING MEMORANDUM OR ANY PORTION THEREOF BY ELECTRONIC MAIL OR ANY OTHER MEANS TO ANY PERSON OTHER THAN AN AUTHORISED RECIPIENT, IS PROHIBITED. BY ACCEPTING DELIVERY OF THE OFFERING MEMORANDUM, EACH RECIPIENT HEREOF AGREES TO THE FOREGOING.

THE INFORMATION CONTAINED HEREIN SUPERSEDES ANY PREVIOUS SUCH INFORMATION DELIVERED TO ANY PROSPECTIVE INVESTOR AND MAY BE SUPERSEDED BY INFORMATION DELIVERED TO SUCH PROSPECTIVE INVESTOR PRIOR TO THE ISSUE DATE.

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**U.S.\$300,000,000 Fixed-to-Floating Notes due 2045**  
**of**  
**Willow No. 2 (Ireland) PLC**  
**secured by**  
**U.S.\$300,000,000 Fixed-to-Floating Dated Subordinated Notes due 2045**  
**of**  
**Zurich Insurance Company Ltd**  
**Issue Price: 99.946 per cent.**

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Willow No. 2 (Ireland) PLC (the “**Issuer**”) is offering its U.S.\$300,000,000 Fixed-to-Floating Notes due 2045 (the “**Notes**”) secured by the U.S.\$300,000,000 Fixed-to-Floating Dated Subordinated Notes due 2045 of Zurich Insurance Company Ltd (the “**Securities Issuer**” and the “**Securities**”). The Notes will bear interest from (and including) 22 April 2015 to (but excluding) 1 October 2025 at a rate of 4.250 per cent. per annum, payable annually in arrear on 1 October in each year, save that the first payment will be made on 1 October 2016 in respect of the period from (and including) 22 April 2015 to (but excluding) 1 October 2016. From (and including) 1 October 2025, the Notes will bear interest at a rate, reset quarterly, of 3.177 per cent. per annum above the London interbank offered rate for three-month U.S. dollar deposits, payable quarterly in arrear on 1 January, 1 April, 1 July and 1 October in each year, all as more particularly described in “Terms and Conditions of the Notes – 7. Interest and Other Calculations”. The Notes will mature on 1 October 2045.

The Notes will be redeemable in the circumstances described in this offering memorandum (this “**Offering Memorandum**”).

The Notes are direct, secured, limited recourse obligations of the Issuer.

The Issuer is party to a multi issuer secured transaction programme (the “**Multi Issuer Secured Transaction Programme**”) under which the Issuer may from time to time issue notes. Holders of the Notes will not have access to the assets of the Issuer held in connection with any other notes issued pursuant to the Multi Issuer Secured Transaction Programme and similarly, holders of any other notes issued pursuant to the Multi Issuer Secured Transaction Programme will not have access to the assets held in connection with the Notes described in this Offering Memorandum.

**See “Risk Factors” beginning on page 10 for a discussion of certain risks that prospective investors should consider in connection with an investment in the Notes.**

This document (including the information incorporated by reference herein) constitutes a prospectus as contemplated by Directive 2003/71/EC (the “**Prospectus Directive**”). This Offering Memorandum has been approved by the Central Bank of Ireland (the “**Central Bank**”), as competent authority under the Prospectus Directive. The Central Bank only approves this Offering Memorandum as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes, which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC, or which are to be offered to the public in any member state of the European Economic Area. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT (“**REGULATION S**”).

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*Managers*

*Barclays*

*BofA Merrill Lynch*

20 April 2015

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information contained in Appendix 1, Appendix 2 and Appendix 3 to this Offering Memorandum (the “**Third Party Information**”) has been obtained directly from the Securities Issuer. The Issuer confirms that the Third Party Information has been accurately reproduced as received and that, so far as it is aware and is able to ascertain from the Third Party Information published, no facts have been omitted which would render the reproduced Third Party Information inaccurate or misleading.

The Issuer has not conducted extensive due diligence on the Third Party Information, or made any enquiries as to its own possession of non-publicly available information.

The Issuer has only made very limited enquiries in relation to the Third Party Information, and none of the Issuer or the Managers makes any representation or warranty, express or implied, as to the accuracy or completeness of the Third Party Information and prospective investors in the Notes should not rely upon, and should make their own independent investigations and enquiries in respect of the same.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Memorandum in connection with the issue or sale of Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any Manager. Neither the Issuer nor any Manager is making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. Neither the delivery of this Offering Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Securities Issuer since the date hereof or that there has been no adverse change in the financial position of the Issuer or the Securities Issuer since the date hereof.

This document is based on information provided by the Issuer, except for the Third Party Information which has been provided to the Issuer. The Managers, and the Issuer in respect of the Third Party Information, are not making any representation or warranty that this information is accurate or complete and the Managers are not responsible for this information. This Offering Memorandum summarises certain documents and other information in a manner the Issuer believes to be accurate, but prospective investors should refer to the actual documents for a more complete understanding of the matters discussed in this Offering Memorandum. In making an investment decision, prospective investors must rely on their own examination of the terms of this offering and the Notes, including the merits and risks involved. This offering is being made on the basis of this Offering Memorandum. Any decision to purchase the Notes in this offering must be based solely on the information contained in this Offering Memorandum.

Neither the Issuer nor the Managers are making any representation to any purchaser of the Notes regarding the legality of an investment in the Notes by it under any legal investment or similar laws or regulations. Prospective investors should not consider any information in this document to be legal, business or tax advice. Prospective investors should consult their own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Notes.

The Issuer reserves the right to withdraw the offering of the Notes at any time. The Issuer and the Managers also reserve the right to reject any offer to purchase the Notes in whole or in part for any reason and to allot to any prospective investor less than the full amount of Notes sought by it.

In connection with the issue of the Notes, Barclays Bank PLC (the “**Stabilising Manager**”) (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However,

there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager in accordance with all applicable laws and rules.

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This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of, the Issuer or the Managers to subscribe for, or purchase any, Notes or to enter into any other transactions. The distribution of this Offering Memorandum and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer and the Managers to inform themselves about and to observe any such restriction.

To the fullest extent permitted by law, neither Barclays Bank PLC nor any other Manager accepts any responsibility for the contents of this Offering Memorandum or for any other statement, made or purported to be made by Barclays Bank PLC or any other Manager or on its behalf in connection with the Issuer or the issue and offering of the Notes. Barclays Bank PLC and each other Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Memorandum or any such statement.

Purchasers of Notes should conduct such independent investigation and analysis regarding the Issuer, the Securities and the Securities Issuer, the security arrangements and the Notes as they deem appropriate to evaluate the merits and risks of an investment in the Notes. Purchasers of Notes should have sufficient knowledge and experience in financial and business matters, and access to, and knowledge of, appropriate analytical resources, to evaluate the information contained in or incorporated by reference into this Offering Memorandum and the merits and risks of investing in the Notes in the context of their financial position and circumstances.

Any investment in the Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank or any other deposit protection scheme. The Issuer is not and will not be regulated by the Central Bank as a result of issuing the Notes or entering into any other Transaction.

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or any other exchange or regulated trading facility in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes (i) an Offering Memorandum as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, (ii) a listing Offering Memorandum within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or (iii) a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

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

The language of this Offering Memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

In this Offering Memorandum, unless otherwise specified or the context otherwise requires, references to “U.S.\$” and “U.S. dollar” are to the lawful currency of the United States of America.

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## OVERVIEW OF THE OFFERING

The following is a brief summary of some of the terms of the Notes. For a more complete description of the terms of the Notes, see the Terms and Conditions of the Notes (the “**Conditions**”).

<b>Issuer</b>	Willow No. 2 (Ireland) PLC.
<b>Denominations</b>	The Notes will be issued in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
<b>Issue Price</b>	99.946 per cent.
<b>Notes offered</b>	U.S.\$300,000,000 Fixed-to-Floating Notes due 2045 of the Issuer secured by the U.S.\$300,000,000 Fixed-to-Floating Dated Subordinated Notes due 2045 of Zurich Insurance Company Ltd.
<b>Maturity</b>	The Notes will mature on 1 October 2045.
<b>Interest Rate</b>	The Notes will bear interest from (and including) 22 April 2015 to (but excluding) 1 October 2025 at a rate of 4.250 per cent. per annum, payable annually in arrear on 1 October in each year, save that the first payment will be made on 1 October 2016 in respect of the period from (and including) 22 April 2015 to (but excluding) 1 October 2016. From (and including) 1 October 2025, the Notes will bear interest at a rate, reset quarterly, of 3.177 per cent. per annum above the London interbank offered rate for three-month U.S. dollar deposits, payable quarterly in arrear on 1 January, 1 April, 1 July and 1 October in each year, all as more particularly described in “Terms and Conditions of the Notes – 7. Interest and Other Calculations”.
<b>Interest Payment Dates</b>	For the period from (and including) 22 April 2015 to (but excluding) 1 October 2025, 1 October in each year, save that the first payment will be made on 1 October 2016. For the period from (and including) 1 October 2025 to (but excluding) 1 October 2045, 1 January, 1 April, 1 July and 1 October in each year.
<b>Secured Property</b>	(i) A first fixed charge over the Securities; (ii) an assignment by way of security of the Issuer’s rights attaching to or relating to the Securities and all sums derived therefrom; (iii) an assignment by way of security of the Issuer’s right under the Purchase Agreement to acquire the Securities; (iv) a first fixed charge over all proceeds of, income from and sums arising from enforcement of any claim under the Purchase Agreement but only to the extent such claim relates to the Issuer’s right to acquire the Securities; (v) an assignment by way of security of the Issuer’s rights, title and interest against the Custodian and the Realisation Agent and all sums and assets derived therefrom, to the extent that they relate to the Securities; (vi) an

assignment by way of security of the Issuer's rights, title and interest under the Trust Deed insofar as the same relates to the appointment of the Enforcement Agent as the Issuer's agent in connection with the rights and assets of the Issuer referred to in paragraphs (i) to (v) above; (vii) an assignment by way of security of the Issuer's rights, title and interest under the Agency Agreement and the Custody Agreement, to the extent that they relate to the Notes; and (viii) a first fixed charge over all sums held or received by the Custodian, the Issuing and Paying Agent, the Realisation Agent and/or the Enforcement Agent to meet payments due in respect of any Issuer Obligation.

<b>Ranking</b>	The Notes are direct, limited recourse, debt obligations of the Issuer secured by the Secured Property.
<b>Limited Recourse</b>	The Notes are limited recourse obligations of the Issuer payable solely out of the Secured Property.
<b>Early redemption of the Notes</b>	The Notes will be subject to early redemption on the occurrence of (i) certain events relating to the Securities, (ii) tax events relating to the Issuer, (iii) an illegality event in respect of the Issuer and (iv) certain events of default relating to the Issuer. See Condition 8 (Redemption and Purchase) for more details.
<b>No repayment at option of Noteholders</b>	The Notes will not be subject to repayment at the option of the Noteholders prior to maturity.
<b>Form of Notes/Book-Entry issuance, settlement and clearance</b>	The Notes will be represented by a global certificate and deposited with a common depository for Euroclear Bank S.A./N.V. (" <b>Euroclear</b> ") and Clearstream Banking, <i>société anonyme</i> (" <b>Clearstream, Luxembourg</b> ").
<b>Governing law</b>	The Notes and any related documentation will be governed by English law.
<b>Listing</b>	The Notes will be listed on the Official List of the Irish Stock Exchange and admitted to trading on the regulated market of the Irish Stock Exchange.
<b>Ratings</b>	<p>The Notes are expected to be rated as follows:</p> <p>Standard &amp; Poor's Credit Market Services Europe Limited: "A"</p> <p>A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.</p> <p>Standard &amp; Poor's Credit Market Services Europe Limited is established in the European Union and is registered under the EU Regulation on credit rating agencies (Regulation (EC) No.1060/2009), as amended.</p>
<b>Enforcement Agent</b>	HSBC Bank plc
<b>Trustee</b>	HSBC Corporate Trustee Company (UK) Limited



<b>Issuing and Paying Agent</b>	HSBC Bank plc
<b>Calculation Agent</b>	Barclays Bank PLC
<b>Realisation Agent</b>	Barclays Bank PLC
<b>Custodian</b>	HSBC Bank plc
<b>Registrar</b>	HSBC Bank plc
<b>Transfer Agent</b>	HSBC Bank plc

## **NOTICE TO PROSPECTIVE INVESTORS FROM BARCLAYS BANK PLC AND THE OTHER MANAGERS**

None of Barclays Bank PLC, any other Manager or any of their affiliates is under any legal or regulatory obligation to purchase any Securities or support any losses suffered by the Issuer or the purchasers of any Notes or to repurchase or make a market in any Notes. None of Barclays Bank PLC, any other Manager or any of their affiliates guarantees or stands behind the Issuer or the obligations of the Issuer under the Notes, and will not make good and is under no obligation to make good any losses under the Securities or the Notes. The Issuer and each person into whose possession this document comes will be deemed to have acknowledged and agreed to the foregoing.

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

## RISK FACTORS

*An investment in the Notes involves substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of such an investment. The Notes are not principal protected and purchasers of Notes are exposed to full loss of principal or other amount invested. Only prospective purchasers of Notes who can withstand the loss of their entire investment should buy the Notes.*

*The Issuer, Barclays Bank PLC and the other Managers believe that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and none of the Issuer, Barclays Bank PLC or any other Manager represents that the statements below regarding the risks of holding the Notes are exhaustive.*

*Prospective investors should consult their own financial and legal advisers as to the risks entailed by an investment in the Notes and the suitability of investing in such Notes in the light of their particular circumstances. Before making an investment decision, prospective investors should carefully consider, among other factors, all the information set forth in (i) this Offering Memorandum, (ii) the base prospectus of the Securities Issuer dated 19 May 2014, which is set out in Appendix 1 to this Offering Memorandum, (iii) the supplement dated 13 April 2015 to such base prospectus (such base prospectus and supplement taken together, the “**Securities Base Prospectus**”), which is set out in Appendix 2 to this Offering Memorandum and, in particular (iv) the matters described below and under “**Risk Factors**” in the Securities Base Prospectus set out in Appendix 1 and Appendix 2 hereto.*

*All capitalised terms that are not defined in this section shall have the meanings given to them in the Conditions.*

### **Risks Related to the Issuer**

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

The Issuer is established in Ireland and is a special purpose vehicle and not an operating company. The Issuer’s sole business is the raising of money by issuing notes, bonds, warrants, certificates or other securities and entering into other transactions for the purposes of purchasing assets and entering into related derivatives and other contracts. The Issuer has covenanted not, as long as any of the Notes remain outstanding, without the prior written consent of the Trustee and provided that it will not result in any rating assigned to the Notes being adversely affected, as confirmed in writing by Standard & Poor’s, to have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person, declare any dividends (other than in relation to the shares mentioned hereafter) or issue any shares (other than such shares as were in issue on the date of its incorporation). As such, the Issuer has, and will have, no assets other than its issued and paid-up share capital, such fees (as agreed) payable to it in connection with the issue of the Notes and any other notes issued pursuant to the Multi Issuer Secured Transaction Programme or entry into of other obligations from time to time and any Secured Property, any Managers’ Secured Property and any other assets on which notes issued pursuant to the Multi Issuer Secured Transaction Programme or other obligations are secured and the Trustee will not have recourse to any of such assets other than the Secured Property (see “**Risks Related to the Notes – Limited recourse obligations**” below). There is no day-to-day management of the business of the Issuer.

### **No regulation of the Issuer by any regulatory authority**

The Issuer is not required to be licensed, registered or authorised under any current securities, commodities or banking laws of its jurisdiction of incorporation. There is no assurance, however, that regulatory authorities in one or more jurisdictions would not take a contrary view regarding the applicability of any such laws to the Issuer. The taking of a contrary view by such regulatory authority could have an adverse impact on the Issuer or the holders of the Notes.

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

### **Preferred creditors under Irish law**

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

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

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

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

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

The essence of a fixed charge is that the person creating the charge does not have liberty to deal with the assets that are the subject matter of the security in the sense of disposing of such assets or expending or appropriating the moneys or claims constituting such assets and, accordingly, if and to the extent that such liberty is given to the Issuer, any charge constituted by the Trust Deed may operate as a floating rather than a fixed charge.

In particular, the Irish courts have held that, in order to create a fixed charge on receivables, it is necessary to oblige the chargor to pay the proceeds of collection of the receivables into a designated bank account and to prohibit the chargor from withdrawing or otherwise dealing with the moneys standing to the credit of such account without the consent of the chargee.

Depending upon the level of control actually exercised by the chargor, there is therefore a possibility that the fixed security over the Issuer's account and the Secured Property would be regarded by the Irish courts as a floating charge.

Floating charges have certain weaknesses, including the following:

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

### **Examinership**

The Issuer may be subject to Examinership. Examinership is a court procedure available under the Irish Companies (Amendment) Act 1990, as amended to facilitate the survival of Irish companies in financial difficulties.

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

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

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

The primary risks to such holders of Notes if an examiner were to be appointed to the Issuer are as follows:

- (i) the potential for a scheme of arrangement to be approved involving the writing down of the debt owed by the Issuer to the holders of the Notes as secured by the Trust Deed;

- (ii) the potential for the examiner to seek to set aside any negative pledge in the holders of the Notes prohibiting the creation of security or the incurring of borrowings by the Issuer to enable the examiner to borrow to fund the Issuer during the protection period; and

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

## **FATCA and the possibility of U.S. withholding tax on payments**

### ***Background***

The foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010, commonly referred to as "FATCA" impose a withholding tax of 30 per cent. on (i) certain U.S. source payments and (ii) payments of gross proceeds from the disposition of assets that produce U.S. source dividends or interest, in either case made to persons that fail to meet certain certification or reporting requirements. To avoid withholding under FATCA, a non-U.S. financial institution ("FFI") must enter into an agreement with the Internal Revenue Service (an "IRS Agreement") (as described below) or otherwise be exempt from the requirements of FATCA. FFIs that enter into IRS Agreements or become subject to provisions of local law ("IGA legislation") intended to implement an intergovernmental agreement entered into pursuant to FATCA (an "IGA"), may be required to identify and report to the government of the United States or another relevant jurisdiction certain information regarding "financial accounts" held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In addition, in order (a) to obtain an exemption from FATCA withholding on payments it receives or (b) to comply with any applicable IGA legislation, a financial institution that enters into an IRS Agreement or is subject to IGA legislation may be required to withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

Under FATCA, withholding is required with respect to payments to persons that are not compliant with FATCA or that do not provide the necessary information, consents or documentation, where such payments are made on or after (i) 1 July 2014 in respect of certain U.S. source payments, (ii) 1 January 2017, in respect of payments of gross proceeds (including principal repayments) from the disposition of property that can produce U.S. source interest or dividends and (iii) 1 January 2017 (at the earliest) in respect of "foreign passthru payments". FATCA withholding is not required for "obligations" that are not treated as equity for U.S. federal income tax purposes unless such obligations are issued or materially modified on or after (a) 1 July 2014, or (b) with respect to an obligation that would be subject to FATCA withholding solely in respect of foreign passthru payments, the date that is six months after the date on which the final regulations defining "foreign passthru payments" are filed with the Federal Register.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes and the Securities and the information reporting obligations of the Issuer and other entities in the payment chain is still developing. In particular, Ireland has entered into an IGA with the United States, which modifies the way in which FATCA applies to that jurisdiction. The full impact of such IGA and IGA legislation thereunder on reporting and withholding responsibilities under FATCA is unclear. The Issuer and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption from FATCA withholding on payments they receive or (ii) to comply with applicable law in their jurisdiction. It is

not yet certain how withholding on “foreign passthru payments” will be dealt with under the IGAs or if such withholding will be required at all.

### ***Impact on payments on Securities***

If the Issuer fails to comply with its obligations under FATCA (including the Ireland IGA and any IGA legislation thereunder), it may be subject to FATCA withholding on all, or a portion of, payments it receives with respect to the Securities. Any such withholding would, in turn, result in the Issuer having insufficient funds from which to make payments that would otherwise have become due in respect of the Notes. No other funds will be available to the Issuer to make up any such shortfall and, as a result, the Issuer may not have sufficient funds to satisfy its payment obligations to Noteholders. Additionally, if payments to the Issuer in respect of its assets are, will become or are deemed on any test date to be subject to FATCA withholding, the Notes will be subject to early redemption (see “**Risks Related to the Notes – Early redemption of the Notes**” below).

No assurance can be given that the Issuer can or will comply with its obligations under FATCA or that the Issuer will not be subject to FATCA withholding.

### ***Impact on payments on the Notes***

The Issuer expects to require (and expects other intermediaries through which Notes are held to require) each Noteholder to provide certifications and identifying information about itself and its owners (or beneficial owners) in order to enable the Issuer (or such an intermediary) to identify and report on the Noteholder and certain of the Noteholder’s direct and indirect U.S. beneficial owners to the IRS or another applicable authority. The Issuer may also be required to withhold amounts from Noteholders (including intermediaries through which such Notes are held) that are FFIs that are not compliant with, or exempt from, FATCA or Noteholders that do not provide the information, documentation or certifications required for the Issuer to comply with its obligations under FATCA. Additionally, the Issuer is also permitted to make any amendments to the Notes as may be necessary to enable the Issuer to comply with its obligations under FATCA (including the Ireland IGA and any IGA legislation thereunder) and any such amendment will be binding on the Noteholders.

Neither a Noteholder nor a beneficial owner of Notes will be entitled to any additional amounts in the event FATCA withholding tax is imposed on any payments on or with respect to the Notes. As a result, Noteholders may receive less interest or principal, as applicable, than expected.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE NOTES AND NOTEHOLDERS IS SUBJECT TO CHANGE. EACH NOTEHOLDER SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT SUCH NOTEHOLDER IN LIGHT OF ITS PARTICULAR CIRCUMSTANCES.

## **Risks Related to the Notes**

### **Limited recourse obligations**

The Notes are direct, secured, limited recourse obligations of the Issuer payable solely out of the Secured Property for the Notes granted by the Issuer in favour of the Trustee on behalf of the Noteholders and other secured parties. The Secured Property for the Notes comprises primarily the interests of the Issuer in the Securities. The Issuer will have no other assets or sources of revenue available for payment of any of its obligations under the Notes and in particular, Noteholders will not have access to other assets of the Issuer held in connection with other series of notes issued from time to time by the Issuer. The Noteholders will have no right to take title to, or possession of, the Secured Property. Where the Trustee, having become bound to do so, fails to take action against the Issuer within a reasonable time then the Noteholders may exercise their

rights to remove the Trustee, but shall in no circumstances be entitled to proceed directly against the Issuer. No assurance can be made that the proceeds available for and allocated to the repayment of the Notes at any particular time will be sufficient to cover all amounts that would otherwise be due and payable in respect of the Notes. If the proceeds of the realisation of the Security Interests received by the Trustee for the benefit of the Noteholders prove insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency, and, following distribution of the proceeds of such realisation, the Issuer will have no further obligation to pay any amounts in respect of such deficiency.

Further, none of the Trustee, the Noteholders or any other secured party will be entitled at any time to petition or take any other step for the winding-up of, or the appointment of an examiner to, the Issuer. No person other than the Issuer will be obliged to make payments on the Notes.

#### **Notes initially pay a fixed rate of interest**

From the Interest Commencement Date, the Notes will bear interest at a fixed rate of interest, which remains constant to (but excluding) the Interest Reset Date. Any investors holding the Notes for this period will be subject to the risk that any subsequent increases in market interest rates may adversely affect the real return on the Notes (and the value of the Notes).

#### **Notes pay a floating rate of interest from the Interest Reset Date**

From (and including) the Interest Reset Date, the Notes will bear interest at a floating rate of interest, which will be subject to market fluctuations in interest rates. The agency agreement relating to the Securities contains provisions for determining the rate of interest payable on the Securities in the event that the Relevant Screen Page (as defined in the Securities Conditions) is not available or if an insufficient number of offered quotations appear. If no floating rate can be determined in respect of an interest payment date, the rate determined as at the preceding interest payment date shall be applied.

#### **Priority of claims**

During the term of the Notes and on an enforcement of the security granted by the Issuer in favour of the Trustee, the rights of the Noteholders to be paid amounts due under the Notes will be subordinated to (i) the operating expenses due and payable to the Trustee, including expenses incurred in the enforcement of the security and (ii) the operating expenses due and payable to the Agents.

#### **Early redemption of the Notes**

The Notes may be redeemed prior to their maturity date on the occurrence of any of a Scheduled Securities Event, a Securities Event of Default (a Scheduled Securities Event and a Securities Event of Default relating to the Securities and/or the Securities Issuer), a Tax Event, an Illegality Event or an Event of Default (a Tax Event, an Illegality Event and an Event of Default relating to the Notes and/or the Issuer).

Following the occurrence of any such event, the Securities may be liquidated by the Realisation Agent (where such event constitutes a Liquidation Event) or the Security Interests, including those in respect of the Securities, may be enforced (refer to Condition 5(c) (*Enforcement of Security Interests*) for a description of when the Security Interests may become enforceable), in each case, in order to fund the payment of the Early Redemption Amount on redemption of the Notes.

In the case of an Illegality Event where no substitution or change in legal characteristics of the Issuer is effected, a Tax Event where no substitution or change in residence for taxation purposes of the Issuer is effected or an Event of Default, the Issuer will notify the Securities Issuer that the Securities are to be liquidated or the security over them has become enforceable.

Refer to Condition 8 (*Redemption and Purchase*).



See “**Risk Related to the Notes – The Notes are linked to the creditworthiness of the Securities Issuer and the Securities**”, “**Risks Related to the Notes – Any liquidation of the Securities may yield sales proceeds that are substantially below the Aggregate Nominal Amount of the Notes**” and “**Risks Related to the Securities – Securities**” below for a description of the risks associated with any early redemption of the Notes.

#### **The Notes are linked to the creditworthiness of the Securities Issuer and the Securities**

Prospective investors should note that the Notes differ from ordinary debt securities in that the amount of principal and interest payable by the Issuer in respect of the Notes is dependent on, amongst other things, whether a Securities Event of Default or a Scheduled Securities Event has occurred in respect of the Securities. Where a Securities Event of Default or a Scheduled Securities Event has occurred, the Notes may be redeemed early, at which point they will cease to bear interest and the value paid to Noteholders on redemption may be less than their original investment or may be zero. The likelihood of a Securities Event of Default or a Scheduled Securities Event occurring in respect of the Securities will generally fluctuate with, among other things, the financial condition and other characteristics of the Securities Issuer, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Prospective investors should have sufficient knowledge and experience in financial and business matters to evaluate the merits and risks of investing in such Notes as well as access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of their financial situation.

#### **Limited Access to Information**

None of the Issuer, the Trustee or the Noteholders or any other person will have any right to receive any information regarding the Securities Issuer or the Securities (save to the extent that the Issuer is entitled to receive information relating to the Securities Issuer by virtue of its holding of Securities). During the term of the Notes, Barclays Bank PLC may acquire confidential information with respect to the Securities Issuer or any obligations or duties of the Securities Issuer and it shall not be under any duty to disclose such confidential information to the Trustee or any Noteholder.

#### **Trustee and/or Enforcement Agent indemnity**

In certain circumstances, the Noteholders may be dependent on the Trustee and/or the Enforcement Agent to take certain steps, actions or proceedings in respect of the Notes, in particular if the Security Interests in respect of the Notes become enforceable under the Conditions. Prior to taking such steps, actions or proceedings each of the Trustee and/or the Enforcement Agent may require to be indemnified and/or secured and/or prefunded to its satisfaction. If the Trustee and/or the Enforcement Agent is not indemnified and/or secured and/or prefunded to its satisfaction, it may decide not to take such steps, actions or proceedings and such inaction will not constitute a breach by it of its obligations under the Trust Deed. Consequently, the Noteholders would have to either arrange for such indemnity and/or security and/or prefunding or accept the consequences of such inaction by the Trustee and/or the Enforcement Agent. Noteholders should be prepared to bear the costs associated with any such indemnity and/or security and/or prefunding and/or the consequences of any such inaction by the Trustee and/or the Enforcement Agent. Such inaction by the Trustee and/or the Enforcement Agent will not entitle Noteholders to take action directly against the Issuer to pursue remedies for any breach by the Issuer of the Trust Deed or the Notes (although the events giving rise to the need for Trustee action might also permit the Noteholders to exercise certain rights directly under the Conditions).

So long as any Note is outstanding, the Issuer shall pay the Trustee and Agents remuneration for their services and interest thereon. Unless alternative arrangements are in place to finance such remuneration and interest, such remuneration and interest may reduce the amount payable to Noteholders.

**Any liquidation of the Securities may yield sales proceeds that are substantially below the Aggregate Nominal Amount of the Notes**

Following the occurrence of a Liquidation Event in respect of the Issuer (refer to the Conditions and in particular Condition 8(c) (*Redemption for taxation reasons*) and Condition 8(e) (*Illegality Event*) for a description of the instances where a Liquidation Event may occur), provided that no intervening Securities Event of Default or Scheduled Securities Event occurs, the Early Redemption Amount of the Notes is dependent on the proceeds of sale of the Securities. The amount of any Net Proceeds used in the calculation of the Early Redemption Amount may be affected by factors other than the occurrence of such Liquidation Event. The Securities may be illiquid, thereby adversely affecting the market value of such Securities that in turn will impact on the Early Redemption Amount payable on redemption of the Notes. The transfer of the Securities is subject to certain restrictions. In particular, the Securities can only be transferred to certain Qualifying Banks or Permitted Non-Qualifying Lenders (refer to the Securities Base Prospectus set out in Appendix 1 and Appendix 2 to this Offering Memorandum, in particular the restrictions set out in Securities Condition 10(j) (*Restrictions on Transfer of Certain Notes*) and Securities Condition 10(k) (*Grants of Security*)).

Such transfer restrictions mean that there is no established trading market in the Securities. As a result, on a Liquidation of the Securities, the Net Proceeds received on such realisation, may be substantially lower than the Aggregate Nominal Amount of the Notes.

See “**Risks Related to the Securities**” below.

**The Issuer may be substituted in order to avoid certain adverse tax or legal consequences**

On the occurrence of a Tax Event or an Illegality Event the Issuer may be substituted in order to avoid the occurrence of certain adverse tax or legal consequences. Such substitution must be approved beforehand in writing by the Trustee and no such substitution may occur where it results in any rating assigned to the Notes being adversely affected. Refer to Condition 8(c) (*Redemption for taxation reasons*) or Condition 8(e) (*Illegality Event*).

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

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

Although the terms of the Securities provide that, in the event of any withholding or deduction on account of Swiss tax being required by Swiss law, the Securities Issuer shall, subject to certain exceptions, pay additional amounts so that the net amount received by the holders of the Securities shall equal the amount which would have been received by such holder in the absence of such withholding or deduction, such an obligation may contravene Swiss legislation and be null and void. In that event the amount received by the Issuer, as the holder of the Securities, and the corresponding amounts payable by the Issuer to the holders of the Notes would be reduced by any such withholding or deduction.

If the Securities Issuer becomes obliged to pay additional amounts in respect of the Securities following the imposition of any withholding or deduction in respect of payments of principal and interest under the Securities as a result of a change in, or amendment to the laws and regulations of Switzerland, the Securities Issuer may, provided that FINMA or any domestic or foreign successor to FINMA or otherwise that has primary supervisory authority over the Securities Issuer (i) has given (and has not subsequently withdrawn) its consent to the redemption if such consent is required or (ii) has not objected to such redemption, redeem all of the Securities, which will result in the redemption of all of the Notes in accordance with Condition 8(b) (*Early Redemption following Securities Event of Default or Scheduled Securities Event*).

### **Withholding on the Notes**

The Issuer expects that payments of principal and interest on the Notes will ordinarily not be subject to withholding tax in Ireland or any other jurisdiction. In the event that tax must be withheld or deducted from payments of principal or interest, the Issuer shall use all reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction as the principal debtor or to change its residence for taxation purposes to another jurisdiction and, if it is not able to arrange such substitution or change, it shall early redeem the Notes. In the event that any withholding tax or deduction for tax is imposed on payments of interest on the Notes (as a result of FATCA or otherwise), the Noteholders will not be entitled to receive grossed-up amounts to compensate for such withholding tax nor be reimbursed for the amount of any shortfall and no Event of Default shall occur as a result of any such withholding or deduction; however, the Notes may be redeemed early pursuant to Condition 8(c) (*Redemption for taxation reasons*).

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

The Trust Deed contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally and to obtain written resolutions on matters relating to the Notes from Noteholders without calling a meeting. A written resolution signed by or on behalf of the holders of not less than 75 per cent. of the Aggregate Nominal Amount of the Notes outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

Where the Notes are held in global form in the clearing systems, the Issuer and the Trustee (as the case may be) will be entitled to rely upon:

- (i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. of the Aggregate Nominal Amount of the Notes outstanding; and
- (ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Issuer and/or the Trustee (as the case may be) by accountholders in the clearing systems with entitlements to such global note or certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries), provided that the Issuer and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and taken reasonable steps to ensure such holding does not alter following the given of such consent/instruction and prior to effecting such resolution.

A written resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Noteholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance

with the provisions of the Trust Deed, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held.

These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or in respect of the relevant resolution (or participate in the written resolution or electronic consent, as the case may be) and Noteholders who voted in a manner contrary to the majority (either in a meeting or by written resolution or electronic consent).

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of any of the Conditions that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of the Conditions or any provisions of the Trust Deed or any other documentation in connection with the issue of the Notes that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders or (iii) the substitution of another company as principal debtor under the Notes in place of the Issuer.

### **Legality of purchase**

None of the Issuer, the Trustee, the Managers' Trustee, the Managers or any affiliate of such persons has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes (whether for its own account or for the account of any third party), whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective purchaser (or any such third party) with any law, regulation or regulatory policy applicable to it.

### **Managers' Security Interests**

The proceeds of the Managers' Security Interests will, in the event that the Managers' Security Interests become enforceable, be held by the Managers' Trustee on behalf of itself and the Managers and applied in respect of any Manager's Claims. Noteholders have no direct or indirect interest in the Managers' Security Interests and will not be entitled to the proceeds of enforcement of the Managers' Security Interests.

### **Change of law**

The Conditions are governed by English law in effect as at the Issue Date. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the Issue Date.

### **Provision of information**

None of the Issuer, the Trustee, the Managers' Trustee, the Managers or any affiliate of such persons makes any representation as to the credit quality of the Securities Issuer. Any of such persons may have acquired, or during the term of the Notes may acquire, non-public information with respect to the Securities Issuer. None of such persons is under any obligation to make such information directly available to Noteholders. None of such persons is under any obligation to make available any information relating to, or keep under review on the Noteholders' behalf, the business, financial condition, prospects, creditworthiness or state of affairs of the Securities Issuer or conduct any investigation or due diligence into the Securities (either with respect to the Securities Issuer or the terms and conditions of the Securities).

### **Credit Ratings**

The Notes and the Securities are rated securities. Prospective investors should ensure they understand what any rating associated with the Notes means and what it addresses and what it does not address. The assignment of a rating to the Notes should not be treated by a prospective investor as meaning that such prospective investor does not need to make its own investigations into, and determinations of, the risks and merits of an investment in the Notes.

None of Barclays Bank PLC, the other Managers or the Issuer in any way represent that a rating is an accurate reflection of the risks involved in an investment in the Notes, that the relevant rating agency is an appropriate rating agency or the models used by such rating agency are appropriate for the Notes. The fact that Barclays Bank PLC and the other Managers request a rating should not be treated by a prospective investor as meaning that Barclays Bank PLC or the other Managers accept any responsibility for the rating or the work of the relevant rating agency or that Barclays Bank PLC or the other Managers share the views of such rating agency, and each prospective investor needs to make its own investigations into, and determinations of, the risks and merits of an investment in the Notes. Further, the terms on which a rating is provided by a rating agency may include a disclaimer or an exclusion by such rating agency of any liability to any person in respect of such rating.

During its holding of a Note, a Noteholder should take such steps as it considers necessary to evaluate the ongoing risks and merits of a continued investment in such Note. Such steps should not rely solely on ratings. In particular, prospective investors should not rely solely on downgrades of ratings as indicators of deteriorating credit. Market indicators (such as rising credit default spreads and yield spreads with respect to the relevant entity) often indicate significant credit issues prior to any downgrade. No assurance can be given that the Notes will have the same credit rating as the Securities subsequent to any reduction in the credit rating of an Agent or otherwise.

During the global financial crisis, rating agencies have been the subject of criticism from a number of global governmental bodies that they did not downgrade entities on a sufficiently quick basis.

Prospective investors who place too much reliance on ratings, or who do not understand what the rating addresses, may be subject to unexpected losses as a result.

#### **Exchange rate risks and exchange controls**

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

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### **Risks Related to the Securities**

Risk factors relating to the Securities are provided in the sub-section titled "**Risk Factors**" of the Securities Base Prospectus attached at Appendix 1 and Appendix 2 hereto.

#### **No investigations**

No investigations, searches or other enquiries have been made by or on behalf of the Issuer, the Managers, the Trustee, the Managers' Trustee or the Enforcement Agent in respect of the Securities or the Securities Issuer. None of the Issuer, the Managers, the Trustee, the Managers' Trustee or the Enforcement Agent makes any representation or warranty, express or implied, in respect of the Securities or the Securities Issuer or in respect of any information contained in any documents prepared, provided or filed by or on behalf of the Securities

Issuer or in respect of such Securities with any exchange, governmental, supervisory or self-regulatory authority or any other person.

### **Securities**

Noteholders are exposed to the market price of the Securities. The Issuer may have to fund its payments by the sale of some or all of the Securities at a market value. The market price of the Securities will generally fluctuate with, among other things, the liquidity and volatility of the financial markets, general economic conditions, domestic and international political events, developments or trends in a particular industry and the financial condition of the relevant Securities Issuer. Barclays Bank PLC and the other Managers may have acquired, or during the terms of the Notes may acquire, confidential information or enter into transactions with respect to any Securities and it shall not be under any duty to disclose such confidential information to any Noteholder, the Trustee or the Issuer.

In addition, any event that causes the Securities Issuer not to make all or part of any scheduled payments on the Securities, will result in corresponding reductions and delays in respect of principal and interest payable in respect of the Notes.

Noteholders will be subject to whatever early redemption triggers are applicable to the Securities as set out in the terms and conditions thereof. An early redemption of the Securities will result in an early redemption of the Notes. Consequently, if at any time the Securities become redeemable or repayable or become capable of being declared due and payable prior to the Securities Maturity Date for whatever reason or there is a payment default in respect of the Securities, the Issuer shall redeem each Note on the related Early Redemption Date at its Early Redemption Amount. The amount payable to a Noteholder in such circumstances will be such Note's *pro rata* share of the proceeds of liquidation or realisation of the Securities and any other assets in respect of the Notes.

The Noteholders will be paid such amounts after payment of any priority claims in accordance with the Conditions. There is no assurance that in such circumstances the proceeds and/or assets available following payment of any such priority claims will be sufficient to pay in full the amounts that holders of the relevant Notes would expect to receive in the event that the Notes redeemed in accordance with their terms on their Maturity Date or that such holders will receive back the amount, or assets with a value equal to the amount, they originally invested.

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

### **Transfer restrictions in Securities**

The transfer of the Securities is subject to certain restrictions, including but not limited to the restrictions set out in Securities Condition 10(j) (*Restrictions on Transfer of Certain Notes*) and Securities Condition 10(k) (*Grants of Security*). The Securities are not listed or admitted to trading on any exchange and have not been accepted for clearance through any clearing system. As a result, there will be no established trading market in the Securities and the Securities will be illiquid. The illiquidity of the Securities may have a severely adverse effect on the market value of the Securities.

### **Limitations on enforcement against the Securities Issuer**

In no circumstances shall the Trustee or, as the case may be, the Managers' Trustee, be permitted when acting in its capacity as trustee for the Noteholders or the Managers, nor shall the Noteholders or the Managers,

(when acting in their respective capacities) be permitted, to take any action against the Securities Issuer or enforce any claim that the Issuer may have against the Securities Issuer under the Securities or otherwise whether before, upon, or after any security created by or pursuant to the Trust Deed becoming enforceable. Further, no Noteholder shall be entitled to give directions to the Enforcement Agent in relation to the manner in which any enforcement action is pursued against the Securities Issuer. In no circumstances will any Securities be delivered to a Noteholder.

**The Securities Issuer's obligations under the Securities are subordinated and the Securities Issuer under certain circumstances can or has to defer interest payments under the Securities**

The obligations of the Securities Issuer under the Securities are subordinated and will rank junior in priority of payment to the claims of Senior Creditors (as defined in the Securities Conditions). Furthermore, the Securities Issuer has the option to defer payments of interest on the Securities when such interest has accrued in respect of an interest period which ends on an Optional Interest Payment Date (as defined in the Securities Conditions) and is required to defer payment of interest on the Securities if a Solvency Event (as defined in the Securities Conditions) has occurred and is continuing. Certain Arrears of Interest (as defined in the Securities Conditions) may only be payable on the Securities following the prior written approval of FINMA or any successor authority.

Any event that causes the Securities Issuer not to make all or part of any scheduled payments on the Securities will result in corresponding reductions and delays in respect of principal and interest payable in respect of the Notes. There is a real risk that the Noteholders may lose all or some of their investment should the Securities Issuer become insolvent.

**The Securities Issuer's obligations to repay redemption amounts under the Securities may be extended indefinitely and consequently the Issuer's obligations to repay redemption amounts under the Notes may be extended indefinitely**

If on the scheduled maturity date of the Securities a Solvency Event (as defined in the Securities Conditions) has occurred and is continuing, then the maturity date of the Securities will be extended until such event no longer exists or prior approval by FINMA or any successor authority is given for such repayment. The Maturity Date of the Notes will be extended to the same extent and the Noteholders will have no right to repayment until a Solvency Event (as defined in the Securities Conditions) in respect of the Securities no longer exists or prior approval by FINMA or any successor authority is given for such repayment under the Securities.

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

The terms of the Notes provide that in certain circumstances (as set out in Condition 8(f) (*Purchases*)), the Issuer may participate in a Tender Offer or an Exchange Offer (each as defined in Condition 8(f) (*Purchases*)) with respect to the Securities. If, in such circumstances, the Securities Issuer defaults in the performance of its payment obligations under the terms of any such Tender Offer or Exchange Offer, then the Issuer will not be able to satisfy its corresponding payment obligations to Noteholders in respect of any corresponding Issuer Tender Offer or Issuer Exchange Offer (each as defined in Condition 8(f) (*Purchases*)). Any failure by the Issuer to make a payment due in connection with any Issuer Tender Offer or Issuer Exchange Offer shall constitute a default in payment in respect of the Notes for purposes of Condition 8(d) (*Events of Default*), leading to the security for the Notes becoming enforceable. Accordingly, Noteholders must recognise that they will be exposed to the risk of default by the Securities Issuer in respect of any Tender Offer or Exchange Offer, regardless of whether or not they participate in any corresponding Issuer Tender Offer or Issuer Exchange Offer.

### **Exercise of Right of Substitution or Variation by the Securities Issuer**

Prospective investors should note that if the Securities become redeemable for tax reasons pursuant to Securities Condition 6(b) (*Redemption for Tax Reasons*) or for other reasons pursuant to Securities Condition 6(c) (*Redemption for Other Reasons*), the Securities Issuer may, pursuant to Securities Condition 6(f) (*Substitution or Variation*), following the prior written approval of FINMA or any successor authority, substitute or vary the terms of such Securities in lieu of redemption, without any requirement for the consent or approval of the holders of the Securities, in order for such Securities to become Qualifying Securities (as defined in the Securities Conditions). Although such securities are required to have terms that are not less favourable to an investor, in such circumstances, the Issuer and the Noteholders would be subject to the terms of the Securities, howsoever substituted or varied.

The Trustee may, following such variation or substitution, agree, without the consent of the Noteholders, to any amendment to the terms and conditions of the Notes which are consequential thereto or which are necessary or desirable in connection with such variation or substitution.

### **Risks Related to Counterparties**

#### **Failure to appoint a replacement Agent**

If the appointment of any Agent is terminated for any reason whatsoever (in relation to a Custodian, including, but not limited to, a failure to maintain the ratings requirements set out in the Custody Agreement), upon request from the Issuer, the Securities Issuer (pursuant to the Purchase Agreement) will be required to pay the Issuer's costs relating to such Agent's replacement. If the Securities Issuer fails to pay such costs on the Issuer's behalf, then an Event of Default may occur in respect of the Notes. The Notes may be redeemed prior to their scheduled maturity under Condition 8(d) (*Events of Default*).

#### **Potential conflict of interest**

The roles of the Realisation Agent and Calculation Agent (such roles as described in the Conditions) may be performed by the same entity (unless replaced in accordance with the terms and conditions of the Notes) and initially will be performed by Barclays Bank PLC. This gives rise to a potential conflict of interest and, when making any such determination, Barclays Bank PLC is not obliged to act in the best interests of the Noteholders.

#### **No fiduciary role**

None of the Issuer, the Securities Issuer, the Trustee, the Share Trustee, any Agent or any Manager (each as defined herein and together, in relation to the issue of the Notes, the "**Parties**"), or any of their respective affiliates is acting as an investment adviser, and none of them (other than the Trustee) assumes any fiduciary obligation to any purchaser of Notes or any other party, including the Issuer.

None of the Issuer or any of the Parties assumes any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of the Securities Issuer or the terms thereof.

Prospective investors may not rely on the views or advice of the Issuer or any of the Parties for any information in relation to any person other than such Issuer or Party, respectively.

#### **Realisation Agent**

The Realisation Agent has been appointed to liquidate the Securities held by the Issuer following a Liquidation Event. In the event that the Realisation Agent fails to sell such Securities in accordance with the Liquidation Procedures, or in the event that the Realisation Agent becomes insolvent, the Agency Agreement and the Conditions contain a mechanism for the appointment of a replacement Realisation Agent. However,



there can be no assurance that an appropriate counterparty will be found to perform this role. If no replacement Realisation Agent is appointed or there is a failure to liquidate Securities in certain circumstances, the realisation of the Security Interests following a Liquidation Event would be undertaken (to the extent permitted by the Trust Deed) by the Trustee or by a receiver appointed by the Trustee upon enforcement of the Security Interests in accordance with the Conditions and, in each case, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, but may be subject to delays and the Trustee is not obliged or required to take any action under the Trust Deed unless indemnified and/or secured and/or prefunded to its satisfaction.

### **Calculation Agent determinations and refraining from acting**

In addition to determining interest rates and/or calculating amounts of interest and/or principal, the Calculation Agent may also undertake certain additional duties such as determining the occurrence or otherwise of early redemption events. In such circumstances, the Calculation Agent may not be able to disclose the basis of such determination to Noteholders if it deems such information to be confidential, non-public, price sensitive or of such a nature as otherwise might prohibit it from disclosing the same in accordance with applicable laws, including, without limitation, any insider dealing and/or market abuse laws. Notwithstanding the above, Noteholders should be aware that the Calculation Agent is entitled to refrain from performing any duties expressed to be performed by it where such performance would involve obligations of or to, or assets referencing, persons (including individuals, corporations (including a business trust), partnerships, collective investment schemes, joint ventures, associations, joint stock companies, trusts (including any beneficiary thereof), unincorporated associations or governments or any agency or political subdivision thereof) about which the Calculation Agent or any of its affiliates has information which the Calculation Agent deems confidential, non-public, price sensitive or of such a nature as otherwise might prohibit it from performing such duty in accordance with applicable laws, including, without limitation, any insider dealing and/or market abuse laws. If the Calculation Agent refrains from performing any of its duties on this basis, it shall not be liable in tort or contract or otherwise to any person whatsoever for its failing to perform. Such circumstances might prevent the Calculation Agent from notifying the Issuer, the Trustee and Noteholders of the occurrence of an early redemption event, notwithstanding that the Notes would otherwise have been redeemed early if the Calculation Agent was not compelled to refrain from acting.

### **Risks relating to all Agents**

The application of FATCA withholding to interest, principal or other amounts payable under or in respect of the Notes is not clear (see “**Risks Related to the Issuer – FATCA and the possibility of U.S. withholding tax on payments**” above). If an amount in respect of FATCA withholding were to be deducted or withheld from interest, principal or other payments payable under or in respect of the Notes, none of the Issuer, the Trustee or any Agent or any other person would, pursuant to the Conditions, be required to pay additional amounts as a result of such FATCA withholding. In such circumstances, Noteholders might receive less than otherwise expected.

### **Risks Related to the Banking Act 2009**

Under the Banking Act 2009 (the “**Banking Act**”), substantial powers have been granted to HM Treasury, the Bank of England (including the UK Prudential Regulation Authority) and the U.K. Financial Conduct Authority as part of a special resolution regime (the “**SRR**”). The SRR could apply to Barclays Bank PLC. It is possible that these powers could be exercised prior to the point at which any insolvency proceedings with respect to Barclays Bank PLC are initiated. The exercise of such powers may, because of the role of Barclays Bank PLC as Calculation Agent and Realisation Agent in respect of the Notes, adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. If Barclays Bank PLC were made subject to the SRR and a partial transfer of its

business to another entity were effected, the quality of the assets and the quantum of the liabilities not transferred and remaining with Barclays Bank PLC may result in a deterioration in the creditworthiness of Barclays Bank PLC and, as a result, increase the risk that it may be unable to meet its obligations with respect to the various roles it is performing in connection with the Notes and eventually become subject to administration or insolvency proceedings pursuant to the Banking Act. The Issuer has the right, with the written approval of the Trustee, to at any time vary or terminate Barclays Bank PLC's role in respect to the Notes.

#### **No reliance**

A prospective purchaser may not rely on the Issuer, any of the Parties or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to any other matter.

#### **Third Party Information**

The Issuer has only made very limited enquiries with regards to, and none of the Managers or the Trustee has verified or accepts any responsibility for, the accuracy and completeness of the information in this Offering Memorandum regarding the Third Party Information. Prospective investors in the Notes should not rely upon, and should make their own independent investigations and enquiries in respect of the accuracy and completeness of the Third Party Information.

#### **Risks Related to the Market**

##### **Limited liquidity of the Notes**

Although application will be made to admit the Notes to the Official List of the Irish Stock Exchange and admit them to trading on the regulated market of the Irish Stock Exchange, there is currently no secondary market for the Notes. There can be no assurance that a secondary market for any of the Notes will develop, or, if a secondary market does develop, that it will provide the holders of the Notes with liquidity or that it will continue for the life of the Notes. Consequently, any prospective investor of the Notes must be prepared to hold such Notes for an indefinite period of time or until redemption of the Notes. If the Managers begin making a market for the Notes, they are under no obligation to continue to do so and may stop making a market at any time.

## DOCUMENTS INCORPORATED BY REFERENCE

This Offering Memorandum should be read and construed in conjunction with (i) the annual report and financial statements of the Issuer for the periods ending 31 December 2012 (the “**Willow 2012 Annual Report**”) and 31 December 2013 (the “**Willow 2013 Annual Report**”) and (ii) the interim financial statements of the Issuer for the periods ending 30 June 2013 (the “**Willow 2013 Interim Statements**”) and 30 June 2014 (the “**Willow 2014 Interim Statements**”), which have been filed with the Irish Stock Exchange and the Central Bank, all of which shall be deemed to be incorporated in, and form part of, this Offering Memorandum, save that any statement contained in any of the documents incorporated by reference in, and forming part of, this Offering Memorandum shall be deemed to be modified or superseded for the purpose of this Offering Memorandum to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Offering Memorandum.

This Offering Memorandum must be read in conjunction with the documents incorporated by reference (as set out above), and full information on the Issuer and the Notes is only available on the basis of the combination of the provisions set out within this document and the documents incorporated by reference.

Upon the oral or written request therefor, the Issuer will make available a copy of this Offering Memorandum (and any documents incorporated by reference in this Offering Memorandum) free of charge, at the office of the Issuer and the specified offices of the Issuing and Paying Agent and the Registrar. Oral or written requests for such documents should be directed to the specified office of the Issuer, the Issuing and Paying Agent or the Registrar.

You may obtain a copy of the Willow 2012 Annual Report and the Willow 2013 Annual Report by visiting:

- (i) [http://www.rns-pdf.londonstockexchange.com/rns/6781D\\_-2013-4-30.pdf](http://www.rns-pdf.londonstockexchange.com/rns/6781D_-2013-4-30.pdf) for the Willow 2012 Annual Report; and
- (ii) [http://www.rns-pdf.londonstockexchange.com/rns/9988F\\_-2014-4-30.pdf](http://www.rns-pdf.londonstockexchange.com/rns/9988F_-2014-4-30.pdf) for the Willow 2013 Annual Report.

You may obtain a copy of the Willow 2013 Interim Statements and the Willow 2014 Interim Statements by visiting:

- (i) <http://www.ise.ie/app/announcementDetails.aspx?ID=11694328> for the Willow 2013 Interim Statements; and
- (ii) [http://www.rns-pdf.londonstockexchange.com/rns/2881Q\\_-2014-8-28.pdf](http://www.rns-pdf.londonstockexchange.com/rns/2881Q_-2014-8-28.pdf) for the Willow 2014 Interim Statements.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, save for the italicised paragraphs, will be endorsed on the Certificates relating to the Notes in definitive form (if issued).*

The Notes (as defined below) are constituted and secured by an Issue Deed dated on or prior to the Issue Date (the “**Issue Deed**”) and made between the Issuer (as defined below), the Trustee (as defined in the Issue Deed and that expression shall include all persons for the time being the trustee or trustees under the Trust Deed (as defined below)), the Managers’ Trustee (as defined in the Issue Deed), the Enforcement Agent and the other persons specified therein. The Issue Deed constitutes and secures the Notes by the creation of a trust deed (the “**Trust Deed**”) on the terms (as amended, modified and/or supplemented by the Issue Deed) set out in the master trust terms (the “**Master Trust Terms**”) specified in the Issue Deed. The Conditions (as defined below) include summaries of, and are subject to, the detailed provisions of the Trust Deed. By executing the Issue Deed, the Issuer has entered into (i) an agency agreement (the “**Agency Agreement**”) with one or more of the parties defined in the Issue Deed as the “**Issuing and Paying Agent**”, the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar), the “**Realisation Agent**” and the “**Calculation Agent**” and collectively as the “**Agents**” (which expression shall also include the Custodian (as defined below)) and the Trustee on the terms (as amended, modified and/or supplemented by the Issue Deed) set out in the master agency terms (the “**Master Agency Terms**”) specified in the Issue Deed and (ii) a custody agreement (the “**Custody Agreement**”) with the “**Custodian**” (as defined in the Issue Deed), the Managers’ Trustee and the Trustee on the terms (as amended, modified and/or supplemented by the Issue Deed) set out in the master custody terms (the “**Master Custody Terms**”) specified in the Issue Deed. The Issuer has entered into a syndication agreement (the “**Syndication Agreement**”) with the Managers dated 20 April 2015 with respect to the Notes. The Issuer has entered into a purchase agreement (the “**Purchase Agreement**”) with the Securities Issuer dated 20 April 2015 in respect of the purchase by the Issuer of the U.S.\$300,000,000 Fixed-to-Floating Dated Subordinated Notes due 2045 of the Securities Issuer (the “**Securities**”). Copies of the Master Trust Terms, the Master Agency Terms, the Master Custody Terms, the Syndication Agreement, the Purchase Agreement and the Issue Deed in relation to the Notes are available for inspection during usual business hours at the principal office of the Trustee and at the specified offices of the Issuing and Paying Agent and the Transfer Agents.

References to the “**Conditions**” shall be construed in relation to the Notes to be references to these terms and conditions as supplemented or restated by the Issue Deed. References in the Conditions to “**Notes**” shall be deemed to be references to the U.S.\$300,000,000 Fixed-to-Floating Notes due 2045 of the Issuer secured by the Securities. References to the “**Issuer**” are to Willow No. 2 (Ireland) PLC.

### 1 Definitions

For the purposes of these Conditions:

“**Agent Direction**” means, where sums are due to any Agent (the claims in respect of which are secured), the first direction in writing received by the Trustee from any such party.

“**Aggregate Nominal Amount**” has the meaning set out in Condition 2 (*Form, Specified Denomination and Title*).

“**Approved Counterparties**” means any three leading banks and/or investment banking firms with international standing as determined by the Issuer.

“**Bankruptcy**”, in relation to any specified entity, means, if such entity (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (ii) becomes insolvent or is unable to pay its debts or fails or

admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due; (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (iv) institutes or has instituted against it a proceeding seeking a judgment of insolvency, examinership or bankruptcy or any other relief under any bankruptcy, examinership or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up, examinership or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (a) results in a judgment of insolvency, examinership or bankruptcy or the entry of an order for relief or the making of an order for its winding-up, examinership or liquidation or (b) is not dismissed, discharged, stayed or restrained in each case within 30 calendar days of the institution or presentation thereof; (v) has a resolution passed for its winding-up, examinership, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, examiner, trustee, custodian or other similar official for it or for all or substantially all of its assets; (vii) has a secured party take possession of all or substantially all of its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 calendar days thereafter; or (viii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (i) to (vii) (inclusive).

“**Bid Request**” means a bid request substantially in the form set out in the Agency Agreement.

“**Business Centres**” means London and New York.

“**Business Day**” means, in respect of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

“**Business Day Convention**” has the meaning set out in Condition 7(f) (*Business Day Convention*).

“**Calculation Agent**” means Barclays Bank PLC and any successor.

“**Cash**” means, all cash or cash equivalents in any currency received and held on the terms of the Master Documents or relevant agreements.

“**Cash Proceeds**” means any Cash held by or on behalf of the Issuer in relation to the Notes (including for the avoidance of doubt any Cash amounts comprising the Net Proceeds).

“**Certificates**” has the meaning set out in Condition 2 (*Form, Specified Denomination and Title*).

“**Clearing Business Day**” means Monday to Friday inclusive, except 1 January and 25 December.

“**Cut-off Date**” means, the later of: (i) the Early Redemption Date or, in the case of an Event of Default, the date on which notice is given to the Issuer pursuant to Condition 8(d) (*Events of Default*); and (ii) if a replacement Realisation Agent has been appointed pursuant to Condition 10(c) (*Termination and Replacement following a Realisation Agent Bankruptcy*), the date of the appointment of such replacement Realisation Agent.

“**Deed of Accession**” means a deed of accession substantially in the form set out in the Agency Agreement.

“**Early Redemption Amount**” means in respect of each Note outstanding on the relevant Early Redemption Date:

- (i) on the occurrence of a Scheduled Securities Event, such Note's *pro rata* share of an amount equal to the related Securities Redemption Amount; or
- (ii) in all other circumstances, an amount in U.S. dollars payable to Noteholders in accordance with Condition 8(b) (*Early Redemption following Securities Event of Default or Scheduled Securities Event*), 8(c) (*Redemption for taxation reasons*), Condition 8(d) (*Events of Default*) or Condition 8(e) (*Illegality Event*), equal to such Note's *pro rata* share of the Enforcement Proceeds arising from the enforcement of the Security Interests (if the Security Interests have been enforced on or prior to the Early Redemption Date) or the Net Proceeds (including, for the avoidance of doubt, any Cash Proceeds comprising such Net Proceeds) arising from the Liquidation of such portion of the Securities (if the Security Interests have not been so enforced), in each case, after applying the Cash Proceeds according to the Priority of Claims.

**"Early Redemption Calculation Date"** means the later of (i) the Securities Redemption Date, (ii) the date on which the Issuer (or the Custodian on its behalf) receives payment of the Securities Redemption Amount relating to such Securities Redemption Date and (iii) the date on which the Issuer (or the Custodian on its behalf) has provided the Calculation Agent with all information required in order to enable the Calculation Agent to determine the related Early Redemption Amount in respect of the Notes.

**"Early Redemption Date"** means:

- (i) on the occurrence of a Scheduled Securities Event, the relevant Early Redemption Calculation Date or, where the Calculation Agent determines that payment of any related Early Redemption Amount is not possible or practicable, the Business Day immediately following such Early Redemption Calculation Date; or
- (ii) in all other circumstances, the date designated as the due date for any early redemption of the Notes in accordance with Condition 8(b) (*Early Redemption following Securities Event of Default or Scheduled Securities Event*), Condition 8(c) (*Redemption for taxation reasons*), Condition 8(d) (*Events of Default*) or Condition 8(e) (*Illegality Event*).

**"Enforcement Agent"** means HSBC Bank plc and any successor.

**"Enforcement Agent Bankruptcy"** means a Bankruptcy that occurs in relation to the Enforcement Agent.

**"Enforcement Proceeds"** means the aggregate net proceeds of the realisation of the Security Interests by the Trustee, the Enforcement Agent or any receiver under Conditions 5(e) (*Realisation of Security Interests*) and 5(f) (*Enforcement Agent to realise Security Interests*), after the application of such proceeds pursuant to Condition 5(h) (*Application of Proceeds of Liquidation or Enforcement of the Security Interests*).

**"Events of Default"** has the meaning set out in Condition 8(d) (*Events of Default*).

**"Exchange Offer"** has the meaning set out in Condition 8(f) (*Purchases*).

**"Extraordinary Resolution Direction"** means a direction by Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

**"FATCA"** means:

- (i) sections 1471 to 1474 of the U.S. Internal Revenue Code or any associated regulations or other official guidance;
- (ii) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (i) above; or

(iii) any agreement pursuant to the implementation of paragraphs (i) or (ii) above with the U.S. International revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction.

“**FATCA Withholding Tax**” means any withholding imposed on any payments in respect of the Notes pursuant to FATCA.

“**Final Cut-off Date**” means the date falling 30 Business Days after the Cut-off Date.

“**Final Liquidation Distribution Date**” has the meaning set out in Condition 5(h) (*Application of Proceeds of Liquidation or Enforcement of the Security Interests*).

“**Final Redemption Amount**” means, in respect of each Note on the Maturity Date an amount in U.S. dollars equal to the outstanding principal amount of such Note.

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

“**Global Certificate**” means a global certificate deposited with a common depository for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”).

“**holder**” means, in relation to a Note, the person in whose name such Note is registered.

“**Holder Direction**” means a direction in writing by the holders of at least 20 per cent. of the Aggregate Nominal Amount of the Notes outstanding.

“**Illegality Event**” has the meaning set out in Condition 8(e) (*Illegality Event*).

“**Interest Amount**” means, in respect of a Note and an Interest Payment Date, such Note’s *pro rata* share of an amount equal to the aggregate Securities Interest Amount receivable by or on behalf of the Issuer on the Securities Interest Payment Date corresponding to such Interest Payment Date as determined by the Calculation Agent on the relevant Interest Payment Date.

“**Interest Commencement Date**” means the Securities Issue Date.

“**Interest Payment Date**” means each day that is a Securities Interest Payment Date.

“**Interest Reset Date**” means the Securities Interest Payment Date falling on or around 1 October 2025.

“**Interim Distribution Date**” has the meaning set out in Condition 5(h) (*Application of Proceeds of Liquidation or Enforcement of the Security Interests*).

“**Interim Liquidation Distribution**” has the meaning set out in Condition 5(h) (*Application of Proceeds of Liquidation or Enforcement of the Security Interests*).

“**Interim Liquidation Distribution Date**” has the meaning set out in Condition 5(h) (*Application of Proceeds of Liquidation or Enforcement of the Security Interests*).

“**Issue Date**” means 22 April 2015.

“**Issuer Exchange Offer**” has the meaning set out in Condition 8(f) (*Purchases*).

“**Issuer Obligations**” means:

- (i) the obligations and duties of the Issuer under the Issue Deed, the Trust Deed, each Note, the Agency Agreement and the Custody Agreement; and

- (ii) the claims of the Custodian, the Issuing and Paying Agent and/or any other Agent against the Issuer under the Agency Agreement and the Custody Agreement,

including, without limiting the generality thereof, claims for unpaid fees and expenses or for reimbursement in respect of payments properly made to any person in discharge of an Issuer Obligation.

“**Issuer Tender Offer**” has the meaning set out in Condition 8(f) (*Purchases*).

“**Liquidation**” means, in respect of the Securities, the realisation of the Securities for cash proceeds in accordance with Condition 11 (*Liquidation*) and “Liquidate”, “Liquidated” and “Liquidating” shall be construed accordingly.

“**Liquidation Confirmation**” means a confirmation from the Issuer, confirming in good faith and in a commercially reasonable manner that a Liquidation Event has occurred and, where practicable, providing publicly available information of the occurrence of such event.

“**Liquidation Event**” means the occurrence of any of the following:

- (i) a Tax Event where no substitution or change in residence for taxation purposes is effected pursuant to Condition 8(c) (*Redemption for taxation reasons*), the Issuer, in the determination of the Trustee, having taken reasonable measures to arrange such substitution or change in residence for taxation purposes; or
- (ii) an Illegality Event where no substitution or change in legal characteristics is effected pursuant to Condition 8(e) (*Illegality Event*), the Issuer, in the determination of the Trustee, having taken reasonable measures to arrange such substitution or change in legal characteristics.

“**Liquidation Notice**” means a notice from any Secured Party to the Realisation Agent, Issuer and Trustee certifying that it has reasonable grounds to consider that a Liquidation Event has occurred, upon which notice the Trustee shall be entitled to rely without enquiry and without incurring liability to any person for so doing.

“**Liquidation Procedures**” has the meaning set out in Condition 11(b) (*Liquidation Process*).

“**Liquidation Procedures Certificate**” means, in respect of a failed Liquidation, a certificate signed by an authorised representative of the Realisation Agent certifying that the Realisation Agent has complied, in all material respects, with the Liquidation Procedures in respect of the Liquidation.

“**Liquidation Procedures Failure**” means that the Realisation Agent has both:

- (i) failed to arrange Liquidation of any Securities required in accordance with these Conditions on or before the Final Cut-off Date; and
- (ii) failed to send a Liquidation Procedures Certificate to the Issuer within the three Business Days following the Final Cut-off Date.

“**Liquidation Procedures Failure Bid Period**” has the meaning set out in Condition 10(d)(i) (*Liquidation Procedures Failure*).

“**Liquidation Trade Date**” has the meaning set out in Condition 11(c) (*No Fault Liquidation Failure*).

“**Manager’s Claim**” has the meaning set out in Condition 5(b) (*Managers’ Security Interests*).

“**Managers**” means each of Barclays Bank PLC and Merrill Lynch International.

“**Managers’ Secured Party**” has the meaning set out in Condition 5(b) (*Managers’ Security Interests*).



“**Managers’ Secured Property**” means the assets and contractual rights in respect of the agreements comprising the property over which the Managers’ Security Interests are secured pursuant to the Trust Deed, as described in Condition 5(b) (*Managers’ Security Interests*).

“**Managers’ Security Interests**” has the meaning set out in Condition 5(b) (*Managers’ Security Interests*).

“**Managers’ Trustee**” means HSBC Corporate Trustee Company (UK) Limited as trustee in respect of the Managers’ Security Interests.

“**Master Documents**” means the Issue Deed, including the agreements created by such Issue Deed.

“**Maturity Date**” means the Securities Maturity Date, which is expected to be 1 October 2045.

“**Net Proceeds**” means the proceeds of realisation of any Securities received on the Issuer’s behalf from a Liquidation and, in the event that all outstanding Notes are to be redeemed, all other sums available to the Issuer derived from the Secured Property.

“**No Fault Liquidation Failure**” means that the Realisation Agent has failed to arrange any Liquidation required in accordance with these Conditions but has sent a Liquidation Procedures Certificate to the Issuer within the three Business Days following the Final Cut-off Date.

“**No Fault Liquidation Failure Bid End Date**” has the meaning set out in Condition 11(c) (*No Fault Liquidation Failure*).

“**No Fault Liquidation Failure Cut-off Date**” has the meaning set out in Condition 11(c) (*No Fault Liquidation Failure*).

“**Noteholder**” means the person in whose name a Note is registered.

“**outstanding**” means, in relation to the Notes, all the Notes issued except (a) those that have been redeemed in accordance with the Conditions, (b) those in respect of which the date for redemption has occurred and the redemption moneys (including all interest accrued on such Notes to the date for such redemption and any interest payable after such date) have been duly paid to the Trustee or to the Issuing and Paying Agent as provided in Clause 3 of the Master Trust Terms and remain available for payment against presentation and surrender of Certificates, (c) those that have become void or in respect of which claims have become prescribed and (d) those that have been purchased and cancelled as provided in the Conditions, provided that for the purposes of (1) ascertaining the right to attend and vote at any meeting of the Noteholders, (2) the determination of how many Notes are outstanding for the purposes of Conditions 5(e) (*Realisation of Security Interests*), 8(d) (*Events of Default*), 10 (*Agents*), 11(e) (*Failure to liquidate Securities following No Fault Liquidation Failure Bid End Date*) and 14 (*Meetings of Noteholders, Modification, Waiver and Substitution*) and Schedule 3 to the Master Trust Terms and (3) the exercise of any discretion, power or authority that the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Noteholders, those Notes that are beneficially held by or on behalf of the Issuer or the Securities Issuer or their respective subsidiaries and not cancelled shall (unless no longer so held) be deemed not to be outstanding.

“**Partial Redemption Amount**” means, in respect of a Note, such Note’s *pro rata* share of the aggregate of the “Optional Redemption Amounts” payable pursuant to Securities Condition 6(e) (*Redemption at the Option of the Relevant Issuer*).

“**Priority of Claims**” means the relevant order of priority set out in Clause 7.2 of the Trust Deed (as described in Condition 5(h) (*Application of Proceeds of Liquidation or Enforcement of the Security Interests*)).

“**Qualifying Bank**” means a person or entity which (a) effectively conducts banking activities with its own infrastructure and staff as its principal business purpose and which has a banking licence in full force and

effect issued in accordance with the banking laws in force in its jurisdiction of incorporation, or if acting through a branch, issued in accordance with the banking laws in the jurisdiction of such branch and (b) is organised under the laws of a country which is a member of the Organisation for Economic Co-operation and Development (OECD).

“**Realisation Agent**” means Barclays Bank PLC or any replacement realisation agent appointed pursuant to Condition 10 (*Agents*).

“**Realisation Agent Bankruptcy**” means a Bankruptcy that occurs in relation to the Realisation Agent.

“**Record Date**” has the meaning set out in Condition 9(a) (*Method of Payment*).

“**Register**” has the meaning set out in Condition 2 (*Form, Specified Denomination and Title*).

“**Relevant Date**”, in respect of any Note, means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

“**Scheduled Securities Event**” means if at any time the Securities become redeemable or repayable (in whole or, if applicable, in part) prior to the Securities Maturity Date in accordance with the provisions of Securities Conditions 6(c) (*Redemption for Tax Reasons*), 6(d) (*Redemption for Other Reasons*) or 6(e) (*Redemption at the Option of the Relevant Issuer*).

“**Secured Party**” has the meaning set out in Condition 5(a) (*Security Interests*).

“**Secured Party Liquidation Event Notice**” has the meaning set out in Condition 11 (*Liquidation*).

“**Secured Property**” means the assets and contractual rights in respect of the agreements comprising the property on which the Notes are secured pursuant to the Trust Deed, as described in Condition 5(a) (*Security Interests*).

“**Securities**” has the meaning set out in the Recitals to these Conditions. The term “**Securities**” shall include (x) any further Securities acquired by the Issuer in connection with any further issue of notes that are to be consolidated and form a single series with the Notes, (y) any Securities acquired by the Issuer by way of substitution or replacement of any Securities previously held by it and (z) any asset or property (which may, for the avoidance of doubt, include the benefit of contractual rights) into which any of the Securities are converted or exchanged or that is issued to the Issuer (or any relevant person holding such Securities for or on behalf of the Issuer) by virtue of its holding thereof.

“**Securities Conditions**” means the terms and conditions of the Securities as at the Securities Issue Date (without regard to any subsequent modification or waiver thereof). The Securities Conditions are as set out in the Trust Deed dated 19 May 2014 relating to Zurich Insurance Company Ltd’s U.S.\$18,000,000,000 Euro Medium Term Note Programme, as supplemented and amended by the applicable Final Terms in respect of the Securities.

“**Securities Event of Default**” means if at any time the Securities become repayable or become capable of being declared due and payable prior to the Securities Maturity Date for any reason other than a Scheduled Securities Event including (without limitation) a payment default in respect of the Securities.

“**Securities Interest Amount**” means any interest amount or other amounts in the nature of interest (having the meaning ascribed to such term pursuant to Securities Condition 5(d) (*Interpretation of Principal and*

*Interest*) receivable by or on behalf of the Issuer in respect of the Securities under the Securities Conditions, including but not limited to any “Fixed Coupon Amounts” under Securities Condition 4(a) (*Interest on Fixed Rate Notes*), any “Interest Amount” under Securities Condition 4(b) (*Interest on Floating Rate Notes*) and pursuant to Securities Condition 6(a) (*At Maturity*). For the avoidance of doubt: (i) interest deferred pursuant to Securities Conditions 4(d)(i) (*Optional deferral of interest*) or 4(d)(ii) (*Solvency Deferral of Interest*) shall not constitute a Securities Interest Amount until the scheduled day of payment following such deferral and (ii) the scheduled payment of any Arrears of Interest (as defined in Securities Condition 4(d)(iii) (*Arrears of Interest*)) shall constitute a Securities Interest Amount.

“**Securities Interest Payment Date**” means any date on which a Securities Interest Amount is receivable by, or on behalf of, the Issuer under the Securities Conditions. For the avoidance of doubt, if interest is scheduled to be paid on any day but such interest is deferred pursuant to Securities Conditions 4(d)(i) (*Optional deferral of interest*) or 4(d)(ii) (*Solvency Deferral of Interest*), such day shall not constitute a Securities Interest Payment Date.

“**Securities Issue Date**” means the “Issue Date” as such term is defined in the Securities Conditions.

“**Securities Issuer**” means Zurich Insurance Company Ltd.

“**Securities Maturity Date**” means the “Maturity Date” as such term is defined in the Securities Conditions.

“**Securities Rate of Interest**” means:

- (i) in respect of the Fixed Rate Interest Period, the rate of interest as set out under Securities Condition 4(a) (*Interest on Fixed Rate Notes*), being a fixed rate of 4.250 per cent. per annum; and
- (ii) thereafter, the rate of interest as set out under Securities Conditions 4(b) (*Interest on Floating Rate Notes*) and 6(a) (*At Maturity*), being a rate, reset quarterly, of 3.177 per cent. per annum above the London interbank offered rate for three-month U.S. dollar deposits.

“**Securities Redemption Amount**” means any amount payable on redemption or repayment of the Securities (but excluding any amount included in any Securities Interest Amount or any amount payable in connection with any Tender Offer or Exchange Offer), once the Securities have become redeemable or repayable in accordance with the provisions of Securities Condition 6 (*Redemption and Purchase*).

“**Securities Redemption Date**” means any date on which the Securities are redeemable or repayable (in whole or in part) other than the Securities Maturity Date, including but not limited to, any such date arising as a result of a redemption for tax reasons under Securities Condition 6(c) (*Redemption for Tax Reasons*).

“**Security Interests**” has the meaning set out in Condition 5(a) (*Security Interests*).

“**Shortfall**” means the difference between the amount of the Enforcement Proceeds or Net Proceeds, as the case may be (or, where applicable, the difference between the net proceeds of the realisation of the Managers’ Secured Property) and the amount that would but for Condition 13 (*Limited Recourse and Non-Petition*) have been due under the Issuer Obligations (or, where applicable, the Manager’s Claims).

“**Specified Denomination**” has the meaning set out in Condition 2 (*Form, Specified Denomination and Title*).

“**specified office**” means, in relation to the Issuing and Paying Agent, the Registrar or a Transfer Agent, the office identified with its name in Condition 10 (*Agents*) or any other office approved in writing by the Trustee and notified to the Noteholders pursuant to Clause 8.1.10 of the Master Trust Terms.

“**Standard & Poor’s**” means Standard & Poor’s Credit Market Services Europe Limited or any successor to the rating business of Standard & Poor’s Credit Market Services Europe Limited.

“**Tax Event**” has the meaning set out in Condition 8(c) (*Redemption for taxation reasons*).

“**Taxes**” means all taxes, levies, imposts, charges, assessments, deductions, withholdings and related liabilities, including additions to tax, penalties and interest imposed on or in respect of (i) the Securities or Cash, (ii) the transactions effected under the Issue Deed or (iii) the Issuer; provided that “**Taxes**” does not include income or franchise taxes imposed on or measured by the net income of the Custodian or its agents.

“**Tender Offer**” has the meaning set out in Condition 8(f) (*Purchases*).

“**U.S. dollar**” and “**U.S.\$**” each mean the lawful currency of the United States of America.

## **2 Form, Specified Denomination and Title**

The Notes are issued in the specified denomination of U.S.\$200,000 (the “**Specified Denomination**”) and integral multiples of U.S.\$1,000 above such amount.

The Notes are issued in registered form in an initial aggregate nominal amount (the “**Aggregate Nominal Amount**”) of U.S.\$ 300,000,000 and are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 3(a) (*Transfer of Notes*), each Certificate shall represent the entire holding of Notes by the same holder. For the avoidance of doubt, on any day following the Issue Date, the Aggregate Nominal Amount of the Notes on such day may be less than the Aggregate Nominal Amount of the Notes on the Issue Date, including (but not limited to) as a result of a partial redemption of the Notes pursuant to Clause 8(b)(ii).

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined in Condition 1 (*Definitions*)) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate, and no person shall be liable for so treating the holder.

## **3 Transfers of Notes**

### **(a) Transfer of Notes**

One or more Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer) duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Master Agency Terms. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

### **(b) Delivery of New Certificates**

Each new Certificate to be issued pursuant to Condition 3(a) (*Transfer of Notes*) shall be available for delivery within three business days of receipt of a duly completed form of transfer, the surrender of the Certificate for exchange and provision of such evidence that the Registrar or the Transfer Agents may

require under Condition 3(a) (*Transfer of Notes*). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 3 (*Transfer of Notes*), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

**(c) Exchange Free of Charge**

Exchange and transfer of Notes and Certificates on registration, transfer or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

**(d) Closed Periods**

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption, (ii) after any such Note has been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date.

#### **4 Status and Securities**

**(a) Status of Notes**

The Notes are secured, limited recourse obligations of the Issuer, at all times ranking *pari passu* and without any preference among themselves, secured in the manner described in Condition 5 (*Security Interests and the Secured Property*) and recourse in respect of which is limited in the manner described in Condition 13 (*Limited Recourse and Non-Petition*).

**(b) Securities**

In connection with the issue of the Notes, and pursuant to the Purchase Agreement, the Issuer will acquire the Securities from the Securities Issuer. The Securities will be registered in the name of the Issuer and security will be granted by the Issuer over the Securities in the manner set out in Condition 5 (*Security Interests and the Secured Property*). The Securities will be held by or on behalf of the Issuer subject to the provisions of Securities Condition 10(j) (*Restrictions on Transfer of Certain Notes*) and Securities Condition 10(k) (*Grants of Security*).

**(c) Payments in respect of the Notes dependent on the Securities**

Payments of principal and interest in respect of the Notes are dependent on payment of principal and interest in respect of the Securities. Any event that causes the Securities Issuer not to make all or part of any scheduled interest or principal payments in respect of the Securities, or to delay any such scheduled interest or principal payments, will result in corresponding reductions or delays to the interest and/or principal payable in respect of the Notes and, if such failure to make all or part of any scheduled interest or principal payment is not remedied, will result in a Securities Event of Default, which will then result in the Security Interests becoming enforceable as set out in Condition 5(c) (*Enforcement of Security Interests*).

## 5 Security Interests and the Secured Property

### (a) Security Interests

Pursuant to the Trust Deed, the Issuer has secured the Issuer Obligations in respect of the Notes by granting in favour of the Trustee for itself and for the benefit of each of the parties to whom the Issuer owes Issuer Obligations (each a “**Secured Party**”, collectively, the “**Secured Parties**”):

- (i) a first fixed charge over the Securities;
- (ii) an assignment by way of security of the Issuer’s rights attaching to or relating to the Securities and all sums derived therefrom, including, without limitation, any right to delivery thereof or to an equivalent number or nominal value thereof that arises in connection with any such assets being held through a financial intermediary;
- (iii) an assignment by way of security of the Issuer’s right under the Purchase Agreement to acquire the Securities;
- (iv) a first fixed charge over all proceeds of, income from and sums arising from enforcement of any claim under the Purchase Agreement but only to the extent such claim relates to the Issuer’s right to acquire the Securities;
- (v) an assignment by way of security of the Issuer’s rights, title and interest against the Custodian and the Realisation Agent and all sums and assets derived therefrom, to the extent that they relate to the Securities;
- (vi) an assignment by way of security of the Issuer’s rights, title and interest under the Trust Deed insofar as the same relates to the appointment of the Enforcement Agent as the Issuer’s agent in connection with the rights and assets of the Issuer referred to in paragraphs (i) to (v) above;
- (vii) an assignment by way of security of the Issuer’s rights, title and interest under the Agency Agreement, to the extent that they relate to the Notes;
- (viii) an assignment by way of security of the Issuer’s rights, title and interest under the Custody Agreement, to the extent that they relate to the Notes; and
- (ix) a first fixed charge over all sums held or received by the Custodian, the Issuing and Paying Agent, the Realisation Agent and/or the Enforcement Agent to meet payments due in respect of any such Issuer Obligation.

None of the Secured Parties shall benefit from any Security Interests in respect of which it is itself an obligor.

Subject to the above, references in these Conditions to “**Security Interests**” are to the security constituted by the Trust Deed in respect of the Notes described in this Condition.

### (b) Managers’ Security Interests

Pursuant to the Trust Deed, the Issuer has secured the obligations of the Issuer to the Managers in respect of the Syndication Agreement by:

- (i) an assignment by way of security in favour of the Managers’ Trustee, to hold for itself and as trustee for the Managers and the Enforcement Agent, of the Issuer’s rights, title and interest under the Purchase Agreement and all sums and assets derived therefrom, but excluding the Issuer’s right under the Purchase Agreement to acquire the Securities;

- (ii) a first fixed charge in favour of the Managers' Trustee, to hold for itself and as trustee for the Managers and the Enforcement Agent, over the proceeds of, income from and sums arising from, the enforcement of any claim under the Purchase Agreement, except for the claim of the Issuer in relation to its right to acquire the Securities; and
- (iii) an assignment by way of security in favour of the Managers' Trustee, to hold for itself and as trustee for the Managers and the Enforcement Agent, of the Issuer's rights, title and interest under the Trust Deed insofar as the same relates to the appointment of the Enforcement Agent as the Issuer's agent in connection with the rights and assets of the Issuer referred to in paragraphs (i) and (ii) above.

None of the Managers' Trustee, the Managers or the Enforcement Agent (the "**Managers' Secured Parties**") shall benefit from any Managers' Security Interests in respect of which it is itself an obligor.

Subject to the above, references in these Conditions to "**Managers' Security Interests**" are to the security constituted by the Trust Deed in respect of the Notes as described in sub-paragraphs (i), (ii) and (iii) above of this Condition 5(b) (*Managers' Security Interests*).

The Managers' Security Interests are granted as continuing security in respect of any claim a Manager may have (a "**Manager's Claim**") against the Issuer under the Syndication Agreement arising from any representation, warranty, covenant or agreement given therein by the Issuer regarding the Securities, the Securities Issuer and the base prospectus of the Securities Issuer dated 19 May 2014 as supplemented on 13 April 2015 prepared by the Securities Issuer in respect of the Securities.

No person other than the Managers' Secured Parties shall have any interest in the Managers' Security Interests and the Managers' Security Interests shall not form part of the Secured Property. If the Managers' Security Interests become enforceable, the Security Interests for the Notes shall not consequently become enforceable and the Notes shall not be affected thereby and shall accordingly remain outstanding.

Each Manager, in respect of the Managers' Security Interests, is subject to limited recourse provisions equivalent to those set out in Condition 13 (*Limited Recourse and Non-Petition*) in respect of the Secured Property, in accordance with the provisions of the Syndication Agreement and the Trust Deed in relation to the Notes.

No Manager (when acting in such capacity) is permitted to take any action against the Securities Issuer or to enforce any claim that the Issuer may have against the Securities Issuer under the Securities or the Purchase Agreement or otherwise whether before, upon or after the Managers' Security Interests becoming enforceable. The Managers must rely on similar (but not identical) rights to those of the Noteholders, including a right of consultation and agreement with the Issuer (or the Enforcement Agent acting as agent of the Issuer) in relation to any such action or the enforcement of any such claim and/or a right to remove the Managers' Trustee, in each case in accordance with the provisions of the Trust Deed in relation to the Notes.

The assignment by way of security in favour of the Trustee of the Issuer's right under the Purchase Agreement to acquire the Securities, and the first fixed charge in favour of the Trustee of all proceeds from, income from and sums arising from enforcement of any claim under the Purchase Agreement shall form part of the Secured Property (but, in the case of the latter, only if and to the extent that such claim relates to the Issuer's right to acquire the Securities).

**(c) Enforcement of Security Interests**

- (i) The Security Interests over the Secured Property created by or pursuant to the Trust Deed as described in Condition 5(a) (*Security Interests*) shall become enforceable upon the occurrence of:
- (A) an Event of Default;
  - (B) a Securities Event of Default;
  - (C) a Tax Event, but only in the event that the Issuer fails, in the determination of the Trustee, to take reasonable measures to arrange a substitution or change in residence in accordance with the terms of Condition 8(c) (*Redemption for taxation reasons*) and no such substitution or change in residence is effected;
  - (D) an Illegality Event, but only in the event that the Issuer fails, in the determination of the Trustee, to take reasonable measures to arrange a substitution or change in legal characteristics in accordance with the terms of Condition 8(e) (*Illegality Event*) and no such substitution or change in legal characteristics is effected; or
  - (E) both of:
    - (I) a Liquidation Event; and
    - (II) any of the events described in Conditions 10(c)(iii) (Replacement Event Failure), 10(d)(ii) (Failure to appoint replacement Realisation Agent) or 11(e) (Failure to liquidate Securities following No Fault Liquidation Failure Bid End Date),and, for the avoidance of doubt, the occurrence of the above events shall not result in the Managers' Security Interests created by or pursuant to the Trust Deed as described in Condition 5(b) (*Managers' Security Interests*) becoming enforceable. The Managers' Security Interests shall only become enforceable in the circumstances set out in Condition 5(d) (*Enforcement of Managers' Security Interests*).
- (ii) In order to enforce any Security Interests, the Trustee may, but shall not be obliged to, estimate the quantum of any claim which is otherwise indeterminable and provided further that the Trustee or any receiver shall not be obliged to take any such estimate into account for the purposes of applying any moneys received by it under the provisions of the Trust Deed in connection with the realisation or enforcement of the Security Interests in accordance with Clause 7.2 of the Trust Deed (as described in Condition 5(h)(ii)).

**(d) Enforcement of Managers' Security Interests**

The Managers' Security Interests over the Managers' Secured Property created by or pursuant to the Trust Deed as described in Condition 5(b) (*Managers' Security Interests*) shall become enforceable upon failure by the Issuer to pay on demand any Manager's Claim and, for the avoidance of doubt, the occurrence of such event shall not result in the Security Interests created by or pursuant to the Trust Deed as described in Condition 5(a) (*Security Interests*) becoming enforceable. The Security Interests shall only become enforceable in the circumstances set out in Condition 5(c) (*Enforcement of Security Interests*).

**(e) Realisation of Security Interests**

At any time after any Security Interests become enforceable, the Trustee may at its discretion and shall, if it has received a Holder Direction, an Extraordinary Resolution Direction or an Agent Direction,



enforce the Security Interests constituted by the Trust Deed (in each case, subject to it having been indemnified and/or secured and/or prefunded to its satisfaction). To do this it may, at its discretion, realise the Securities subject to the provisions of Condition 12 (*Enforcement*), and/or enforce the Agency Agreement and/or the Custody Agreement in accordance with its or their terms without any liability as to the consequence of such action and without having regard to the effect of such action on individual Noteholders. The Trustee shall not be required to take any step, action or proceeding in relation to the enforcement of the Security Interests without first being indemnified and/or secured and/or prefunded to its satisfaction.

Any realisation and/or enforcement of the Security Interests over the Securities or exercise of any right in respect of the Securities shall be subject to the restrictions set forth in the Securities Conditions, including, but not limited to, Securities Condition 10(j) (*Restrictions on Transfer of Certain Notes*) and Securities Condition 10(k) (*Grants of Security*).

Without prejudice to Condition 12 (*Enforcement*), in no circumstances shall the Trustee be permitted when acting in its capacity as trustee for the Noteholders and the other Secured Parties, nor shall the Noteholders and the other Secured Parties (when acting in their respective capacities) be permitted, to take any action against the Securities Issuer or enforce any claim that the Issuer may have against the Securities Issuer under the Securities or the Purchase Agreement or otherwise whether before, upon, or after any Security Interests created by or pursuant to the Trust Deed becoming enforceable.

**(f) Enforcement Agent to realise Security Interests**

Notwithstanding Condition 5(e) (*Realisation of Security Interests*) or Condition 11 (*Liquidation*), at any time after the Security Interests have become enforceable in accordance with Condition 5(c) (*Enforcement of Security Interests*) and subject to Clause 6.7.3 (*Realisation of Security Interests*) of the Master Trust Terms, the Enforcement Agent shall, if the Issuer is directed to do so by any Holder Direction, Extraordinary Resolution Direction or Agent Direction (subject in each case to the Enforcement Agent being indemnified and/or secured and/or prefunded to its satisfaction): (i) exercise on behalf of the Issuer as the Issuer's agent any rights of the Issuer in the Issuer's capacity as holder of the Securities (including to direct the trustee in respect of the Securities to enforce the terms of the Securities as contemplated thereby) and/or the Issuer's right under the Purchase Agreement to acquire the Securities and/or (ii) instruct the Realisation Agent, as agent of the Issuer, to arrange for any relevant disposal, transfer or receipt of securities to be delivered to or by the Issuer in connection therewith, in accordance with the terms of the Agency Agreement and, in each case, the Enforcement Agent will act only in accordance with any such Holder Direction, Extraordinary Resolution Direction or Agent Direction given to the Issuer. The Enforcement Agent shall have no obligation to supervise the Realisation Agent and shall not be responsible for any loss, liability, cost, claim, action, demand or expense incurred by any person by reason of any action or omission, determination, default, misconduct, negligence or fraud of the Realisation Agent in the performance of its duties under the Agency Agreement.

Any realisation and/or enforcement of the Security Interests over the Securities or exercise of any right in respect of the Securities shall be subject to the restrictions set forth in the Securities Conditions, including, but not limited to, Securities Condition 10(j) (*Restrictions on Transfer of Certain Notes*) and Securities Condition 10(k) (*Grants of Security*).

Notwithstanding Condition 5(e) (*Realisation of Security Interests*), in acting as the Issuer's agent for purposes of this Condition, the Enforcement Agent shall be permitted to take all such action as would have been permitted to be taken by the Trustee upon the Security Interests becoming enforceable if the last sentence of Condition 5(e) (*Realisation of Security Interests*) did not apply.

The Realisation Agent is an agent of the Issuer and is not an agent of the Trustee. All actions and determinations of the Realisation Agent in the performance of its duties shall be made by the Realisation Agent (and not, for the avoidance of doubt, by the Trustee or the Enforcement Agent) and in good faith and neither the Trustee nor the Enforcement Agent shall incur any liability therefor.

The Enforcement Agent is the agent of the Issuer and is not an agent of the Trustee. The Trustee shall have no responsibility or liability for the actions of the Enforcement Agent or for monitoring or supervising its performance or for directing it in relation to enforcement. Any proceeds realised by the Enforcement Agent pursuant to this Condition 5(f) (*Enforcement Agent to realise Security Interests*) shall, upon receipt thereof, be paid to the Trustee who shall hold such moneys on trust with the Custodian and apply such moneys in accordance with Condition 5(h) (*Application of Proceeds of Liquidation or Enforcement of the Security Interests*).

**(g) Enforcement Agent to realise Managers' Security Interests**

At any time after the Managers' Security Interests have become enforceable in accordance with Condition 5(d) (*Enforcement of Managers' Security Interests*) and subject to Clause 6.7.3 (*Realisation of Security Interests*) of the Master Trust Terms, the Enforcement Agent shall in accordance with the Trust Deed (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) exercise on behalf of the Issuer as the Issuer's agent any rights of the Issuer under the Purchase Agreement (other than the Issuer's right under the Purchase Agreement to acquire the Securities). The provisions of Clause 6.7.3 (*Realisation of Security Interests*) of the Master Trust Terms shall apply in relation to any enforcement of the Managers' Security Interests and the Managers' Trustee shall not be permitted to take any enforcement action against the Securities Issuer in accordance therewith.

In acting as the Issuer's agent for the purposes of this Condition, the Enforcement Agent shall be permitted to take all such steps, actions or proceedings as would have been permitted to be taken by the Managers' Trustee upon the Managers' Security Interests becoming enforceable provided that the Enforcement Agent shall be permitted to take enforcement action against the Securities Issuer.

The Enforcement Agent is the agent of the Issuer and is not an agent of the Managers' Trustee. The Managers' Trustee shall have no responsibility or liability to any person for the actions of the Enforcement Agent or for monitoring or supervising its performance or for directing it in relation to enforcement. Any proceeds realised by the Enforcement Agent pursuant to this Condition shall, upon receipt thereof, be paid to the Managers' Trustee who shall hold such moneys on trust and apply such moneys in accordance with Condition 5(i) (*Application of Proceeds of Realisation or Enforcement of the Managers' Security Interests*).

**(h) Application of Proceeds of Liquidation or Enforcement of the Security Interests**

- (i) Where any Security Interests have not become enforceable, the Realisation Agent in connection with a Liquidation shall, on behalf of the Issuer, apply or direct the Custodian to apply, all Net Proceeds under the provisions of the Issue Deed in connection with the Liquidation of the Securities in accordance with the order prescribed in Clause 7.2 of the Trust Deed and described in Condition 5(h)(iii).

Following receipt of a Liquidation Confirmation, the Realisation Agent shall ascertain the claims of each party in accordance with the Priority of Claims. Notwithstanding that there may be outstanding amounts to be collected following the Liquidation, the Realisation Agent shall make a distribution of the Net Proceeds received within 30 Business Days of the Cut-off Date (the "**Interim Liquidation Distribution**") in accordance with the Priority of Claims (the "**Interim Liquidation Distribution Date**").

To the extent any further proceeds remain to be distributed following the Interim Liquidation Distribution Date, the Realisation Agent will make a further distribution as soon as reasonably practicable and, in any event, within 10 Business Days of the receipt of all Net Proceeds from the Liquidation, in accordance with the Priority of Claims (the “**Final Liquidation Distribution Date**”). Any Early Redemption Date that is otherwise designated to occur before such Final Liquidation Distribution Date shall be deemed to be re-designated so that it does not occur before the Final Liquidation Distribution Date.

- (ii) If any Security Interests become enforceable, the Trustee (or a receiver appointed by the Trustee in accordance with the Trust Deed) shall apply all moneys received by it under the provisions of the Trust Deed in connection with the realisation or enforcement of the Security Interests relating to the Notes, subject to the provisions of the Trust Deed, in accordance with the order prescribed in Clause 7.2 of the Trust Deed and described in Condition 5(h)(iii).

Notwithstanding this Condition 5(h), the Trustee or a receiver appointed by it may on any one or more dates selected by the Trustee in its sole discretion prior to it having received all Enforcement Proceeds (each such date, an “**Interim Distribution Date**”) apply any Enforcement Proceeds that have been received by it prior to that Interim Distribution Date in making payments in accordance with the Priority of Claims, provided that the Trustee may not make any payment to any Secured Party to the extent that the claims of any prior ranking Secured Party under the Priority of Claims have either not been met in full or where further claims may arise in respect of any such prior ranking Secured Party. In making any such distribution, the Trustee (or the receiver) may retain such part of the Enforcement Proceeds as the Trustee (or the receiver), in its absolute discretion, sees fit in order to meet any further claims which may arise in respect of any such prior ranking Secured Party under Clause 7.2 of the Trust Deed (as described in Condition 5(h)(iii)).

- (iii) All moneys (i) received by the Trustee (or any receiver appointed by it) in connection with the realisation or enforcement of the Security Interests, but not the application of the proceeds of realisation or enforcement of the Managers’ Security Interests, or (ii) received or directed for payment by the Realisation Agent in connection with the Liquidation of the Securities shall be held on trust and applied in accordance with the following priority of claims (the “**Priority of Claims**”):
  - (A) first, in payment or satisfaction of the fees, costs, charges, expenses and liabilities properly incurred by or payable to the Trustee or any receiver in relation to the Notes in preparing and executing the trusts under the Trust Deed and the relevant Issue Deed (including any taxes required to be paid, the costs of realising any such security and the Trustee’s remuneration and other amounts payable to it under the Trust Deed and the Issue Deed) and in carrying out its functions under the Trust Deed;
  - (B) secondly, in payment or satisfaction of the fees, costs, charges, expenses and liabilities properly incurred by or payable to the Enforcement Agent in acting as enforcement agent of the Issuer in respect of the Security Interests for the Notes under the terms of the Trust Deed and the Issue Deed (including any taxes required to be paid, the costs of realising or enforcing any such security and the Enforcement Agent’s remuneration and other amounts payable to it under the Trust Deed and the Issue Deed);
  - (C) thirdly, in relation to the Notes, (I) in meeting the claims of the Custodian for unpaid fees and expenses and/or reimbursement of payments properly made by it to any person of sums receivable in respect of the Secured Property, (II) in meeting the claims (if any)

of each Agent (other than the Realisation Agent) for unpaid fees and expenses and/or reimbursements of payments properly made by it to any person in discharge of an Issuer Obligation and (III) in payment or satisfaction of the fees, costs, charges, expenses and liabilities (if any) properly incurred by or payable to the Realisation Agent in acting as Realisation Agent of the Issuer in respect of the liquidation of the Securities;

- (D) fourthly, rateably in meeting the claims (if any) of the holders of Notes, provided that claims in respect of amounts representing interest shall rank ahead of claims in respect of amounts representing principal; and
- (E) fifthly, in payment of the balance (if any) to the Issuer.

Any Secured Party that has a claim in respect of more than one Issuer Obligation may rank differently in respect of each Issuer Obligation.

If the moneys received following Liquidation of the Secured Property or the enforcement of Security Interests (as applicable) are not enough to pay in full all amounts to persons whose claims rank rateably, the Realisation Agent or the Trustee (or any receiver appointed by the Trustee) (as applicable) shall apply the moneys *pro rata* on the basis of the amount due to each party entitled to such payment.

**(i) Application of Proceeds of Realisation or Enforcement of the Managers' Security Interests**

All moneys received by the Managers' Trustee (or any receiver appointed by it) in connection with the realisation or enforcement of the Managers' Security Interests shall be held on trust and applied:

- (i) first, in payment or satisfaction of the fees, costs, charges, expenses and liabilities properly incurred by or payable to the Managers' Trustee in preparing and executing the trusts under the Trust Deed and the Issue Deed (including any taxes required to be paid, the costs of realising any such security and the Managers' Trustee's remuneration and other amounts payable to it under the Trust Deed and the Issue Deed) and in carrying out its functions under the Trust Deed;
- (ii) secondly, in payment or satisfaction of the fees, costs, charges, expenses and liabilities properly incurred by or payable to the Enforcement Agent in acting as enforcement agent of the Issuer in respect of the Managers' Security Interests under the Trust Deed and the Issue Deed (including any taxes required to be paid, the costs of realising or enforcing any such security and the Enforcement Agent's remuneration and other amounts payable to it under the Trust Deed and the Issue Deed);
- (iii) thirdly, in meeting any Manager's Claim; and
- (iv) fourthly, in payment of the balance (if any) to the Issuer.

If the moneys received following the enforcement of the Managers' Security Interests are not enough to pay in full all amounts to persons whose claims rank rateably, the Managers' Trustee (or any receiver appointed by the Managers' Trustee) shall apply the moneys *pro rata* on the basis of the amount due to each party entitled to such payment.

**(j) Issuer's Rights in Respect of Security Interests**

**(i) Issuer's Rights as Beneficial Owner of Securities**

The Issuer may exercise any rights in its capacity as beneficial owner of the Securities (including to direct the Enforcement Agent to enforce the terms of the Securities as

contemplated thereby, or its right under the Purchase Agreement to acquire the Securities) only with the written consent of the Trustee or as directed by an Extraordinary Resolution Direction or a Holder Direction or, where applicable, in accordance with Condition 8(f) (*Purchases*) and, if such consent or direction is given, the Issuer will act only in accordance with such consent or direction. In particular, the Issuer will not attend or vote at any meeting of holders of the Securities, or give any consent or notification or make any declaration in relation to the Securities, unless the Trustee gives its written consent or by direction of an Extraordinary Resolution Direction or a Holder Direction or, where applicable, in accordance with Condition 8(f) (*Purchases*).

(ii) **Issuer's Rights as Party to the Purchase Agreement**

The Issuer shall in good faith consult with the Managers to agree the manner in which the Issuer will exercise any of its rights under the Purchase Agreement (other than its right under the Purchase Agreement to acquire the Securities) and shall (subject to its being indemnified to its satisfaction) act in accordance with any such agreement.

(iii) **Release of Security Interests to effect Liquidation**

(A) Notwithstanding Condition 5(j)(i) (*Issuer's Rights as Beneficial Owner of Securities*), following the effective delivery of a Liquidation Confirmation to the Realisation Agent (copied to each of the other Secured Parties), the Realisation Agent, on behalf of the Issuer, shall have the right to undertake any action as contemplated by the Conditions and the Agency Agreement as it considers appropriate, and any actions in furtherance thereof or ancillary thereto as they relate to the Securities, without requiring any sanction referred to therein.

(B) Pursuant to the terms of the Trust Deed and following the delivery of a Liquidation Confirmation to the Realisation Agent:

(I) the Security Interests described in Condition 5(a) (*Security Interests*) corresponding to the Securities that are Liquidated in accordance with Condition 11 (*Liquidation*) on the relevant day shall be automatically released without further action on the part of the Trustee to the extent necessary to effect the settlement of such Securities, as the case may be; provided that nothing in this Condition 5(j)(iii)(B)(I) will operate to release the charges and other security interests over the proceeds of the Liquidation of the relevant Securities;

(II) notwithstanding the foregoing, the Security Interests described in Condition 5(a) (*Security Interests*) (including, for the avoidance of doubt, any charges or security interests over the proceeds of the Liquidation of the relevant Securities) shall be automatically released without further action on the part of the Trustee, to the extent necessary to effect any distribution in accordance with Condition 5(h)(i), provided that nothing in this Condition 5(j)(iii)(B)(II) will operate to release the charges and other security interests over any other proceeds of the Liquidation of the Securities which are not distributed on the Interim Liquidation Distribution Date; and

(III) notwithstanding the foregoing, all Security Interests described in Condition 5(a) (*Security Interests*) (including, for the avoidance of doubt, any charges or security interests over the proceeds of the Liquidation of the relevant Securities) shall be automatically released without further action on the part of the Trustee in order to

apply all proceeds received by the Realisation Agent (in connection with a Liquidation of the relevant Securities pursuant to Condition 11 (*Liquidation*)) in accordance with Conditions 5(h)(i) and (iii).

## **6 Restrictions**

The Issuer has under the Trust Deed agreed to certain restrictions on its business. In particular, the Issuer has agreed that subject as set out below, it will not, without the prior written consent of the Trustee, incur any other indebtedness for borrowed moneys or engage in any business, have any subsidiaries (although it may establish branches in jurisdictions other than its jurisdiction of incorporation and may appoint agents in respect of the administration thereof) or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person, convey or transfer its properties or assets substantially as an entity to any person (otherwise than as contemplated in these Conditions and the Trust Deed) or issue any further shares. Notwithstanding the foregoing, the Issuer may acquire and hold financial assets comprising the Secured Property, enter into related agreements or transactions and enter into any other secured, limited recourse financial transactions and any documents incidental thereto or necessary in connection therewith.

## **7 Interest and Other Calculations**

### **(a) Interest on the Notes**

Each Note bears interest at the applicable interest rate from (and including) the Interest Commencement Date.

During the Fixed Rate Interest Period interest shall be payable on the Notes annually in arrear on each Interest Payment Date, and thereafter interest shall be payable on the Notes quarterly in arrear on each Interest Payment Date, in each case as provided in this Condition 7.

For each Interest Payment Date on which a Note is outstanding, the relevant Interest Amount shall be due and payable in respect of the relevant Note on such Interest Payment Date. For the Fixed Rate Interest Period, the Notes bear interest at a fixed rate of interest and from (and including) the Interest Reset Date, the Notes will bear interest at a floating rate of interest, in each case at the Securities Rate of Interest, on the outstanding nominal amount of each Note.

Interest will cease to accrue on each Note on the due date for redemption unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue (both before and after judgment) on any overdue principal from the due date for redemption to the Relevant Date at the rate determined daily by the Calculation Agent to be the rate for overnight deposits in U.S. dollars. Such interest shall be added annually to the overdue sum and shall itself bear interest accordingly. For the avoidance of doubt, if the Maturity Date of the Notes is postponed as a consequence of a postponement of the Securities Maturity Date pursuant to Securities Condition 6(a) (*At Maturity*), interest shall continue to accrue to (but excluding) such adjusted Maturity Date.

### **(b) Rounding**

For the purposes of any calculations required pursuant to the Conditions, (a) all percentages resulting from such calculations shall be rounded down, if necessary, to the nearest one hundred thousandth of a percentage point (b) all figures shall be rounded down to seven significant figures and (c) all currency amounts that fall due and payable shall be rounded down to the nearest unit of such Currency. For these purposes, “**unit**” means one cent.

**(c) Calculations**

- (i) In respect of each Interest Payment Date, the Calculation Agent shall, subject to Condition 7(c)(ii), calculate the Interest Amount due and payable on such Interest Payment Date in respect of each Note outstanding on such Interest Payment Date.
- (ii) In order to enable the Calculation Agent to perform its functions under these Conditions, the Issuer shall provide to the Calculation Agent (or procure the provision of) any information required in order to enable the Calculation Agent to determine any Interest Amount, Early Redemption Amount, Final Redemption Amount or other amount payable hereunder. The Calculation Agent shall not be liable for any failure to comply with its obligations under these Conditions as a result of any failure of the Issuer to provide any such information.

**(d) Determination or Calculation by Trustee or agent**

If the Calculation Agent does not at any time for any reason determine or calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or other amount payable hereunder, the Trustee may do so (or, if it does not do so, shall select an agent on behalf of the Issuer and at the Issuer's expense to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

**(e) Calculation Agent**

The Issuer shall procure that there shall at all times be a Calculation Agent and for so long as any Note is outstanding. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish any Interest Amount, Final Redemption Amount, Early Redemption Amount or any other amount, as the case may be, or to comply with any other requirement, the Issuer shall (if directed by an Extraordinary Resolution of the Noteholders) appoint a replacement calculation agent in accordance with such direction to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. Except to the extent that the Calculation Agent has been grossly negligent or has acted fraudulently or is in wilful breach of its duties, the Calculation Agent shall not be liable to the Trustee or the Noteholders for any expense, loss or damage suffered by or occasioned to them. In any event, the Calculation Agent shall not be responsible for any direct loss or indirect consequential losses, notwithstanding it having been advised of the possibility of such loss.

**(f) Business Day Convention**

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a "**Business Day Convention**" would otherwise fall on a day that is not a Business Day, then such date shall be postponed to the next day that is a Business Day.

**8 Redemption and Purchase**

**(a) Final Redemption**

Unless previously redeemed or purchased and cancelled as provided in this Condition 8 (*Redemption and Purchase*), each Note shall be finally redeemed on the Maturity Date at its Final Redemption Amount.

If the Maturity Date of the Notes is postponed as a consequence of a postponement to the Securities Maturity Date pursuant to Securities Condition 6(a) (*At Maturity*), upon receipt of a notice from the Securities Issuer of such postponement, the Issuer shall notify the Noteholders of the same.

Notwithstanding any provision to the contrary, if at any time prior to the redemption of the Notes pursuant to this Condition, notice of a Securities Event of Default or a Scheduled Securities Event is given pursuant to Condition 8(b) (*Early Redemption following Securities Event of Default or Scheduled Securities Event*), notice of an Early Redemption Date is given pursuant to Condition 8(c) (*Redemption for taxation reasons*), the Notes are declared immediately due and payable pursuant to Condition 8(d) (*Events of Default*) or notice of an Early Redemption Date is given pursuant to Condition 8(e) (*Illegality Event*), then the Notes shall not be redeemed in accordance with this Condition 8(a) and the provisions of Condition 8(b) (*Early Redemption following Securities Event of Default or Scheduled Securities Event*), Condition 8(c) (*Redemption for taxation reasons*), Condition 8(d) (*Events of Default*) or Condition 8(e) (*Illegality Event*) shall apply as appropriate.

**(b) Early Redemption following Securities Event of Default or Scheduled Securities Event**

- (i) Upon the occurrence of a Securities Event of Default, the Issuer shall give notice to the Trustee and the Noteholders and upon the giving of such notice all of the Notes shall become due for redemption on the date specified in such notice (which for the avoidance of doubt shall be deemed to be the date designated as the Early Redemption Date on the occurrence of the relevant Securities Event of Default) at their Early Redemption Amount.

Notwithstanding any provision to the contrary, if at any time prior to the redemption of the Notes pursuant to Conditions 8(b)(ii), 8(c) (*Redemption for taxation reasons*) or 8(e) (*Illegality Event*): (A) a Securities Event of Default occurs and (B) (I) the Issuer, or the Realisation Agent on the Issuer's behalf, has not entered into any binding agreement to effect a Liquidation of any Securities and (II) the Trustee has not enforced the Security Interests, in each case, following the occurrence of such redemption event, the Issuer shall give notice of an Early Redemption Date pursuant to this Condition 8(b)(i) and the Notes shall be redeemed pursuant to the provisions of this Condition 8(b)(i) and any notice of redemption given pursuant to Conditions 8(b)(ii), 8(c) (*Redemption for taxation reasons*) or 8(e) (*Illegality Event*) shall be deemed to be void.

- (ii) Upon the occurrence of a Scheduled Securities Event, the Issuer shall give:
- (A) (if the Scheduled Securities Event has occurred pursuant to Securities Conditions 6(c) (*Redemption for Tax Reasons*) or 6(d) (*Redemption for Other Reasons*)) no less than 25 days' and no more than 65 days'; or
- (B) (if the Scheduled Securities Event has occurred pursuant to Securities Condition 6(e) (*Redemption at the Option of the Relevant Issuer*)) no less than 10 days' and no more than 35 days', notice to the Trustee and the Noteholders and upon the giving of such notice the Issuer shall:
- (I) (if the Scheduled Securities Event has occurred pursuant to Securities Conditions 6(c) (*Redemption for Tax Reasons*) or 6(d) (*Redemption for Other Reasons*)) redeem each Note on the related Early Redemption Date at its Early Redemption Amount; or
- (II) (if the Scheduled Securities Event has occurred pursuant to Securities Condition 6(e) (*Redemption at the Option of the Relevant Issuer*)) redeem or partially redeem



each Note on the related Early Redemption Date at its Early Redemption Amount. In the case of a partial redemption, the outstanding nominal amount of each such Note shall be reduced by the Partial Redemption Amount and the Aggregate Nominal Amount shall be reduced by the aggregate of the Partial Redemption Amounts.

(c) **Redemption for taxation reasons**

A “**Tax Event**” will occur if either the Issuer or the Calculation Agent determines that:

- (i) on the due date for any payment in respect of the Notes, the Issuer will be required (x) by any applicable law and/or (y) as a result of any change in, or proposed change in, or amendment to or proposed amendment to, the accounting standards, practices or guidelines applicable in the Republic of Ireland (“**Applicable Accounting Standards**”) or applicable tax law, practices or guidelines applicable in the Republic of Ireland (“**Applicable Tax Laws**”) or any change in, or proposed change in the application of, the official or generally published interpretation of the Applicable Accounting Standards or Applicable Tax Laws, to withhold, deduct or account for an amount for any present or future taxes, duties or charges of whatsoever nature other than a withholding or deduction in respect of FATCA or would suffer the same in respect of its income so that it would be unable to make in full the payment in respect of the Notes in respect of such due date;
- (ii) on the due date for any payment in respect of the Notes, such a withholding, deduction or account is actually made in respect of any payment in respect of the Notes other than where such event constitutes a Tax Event pursuant to paragraph (iii) below; and/or
- (iii) the Issuer (a) is or will be unable to receive any payment due in respect of any Securities forming part of the Secured Property in full on the due date therefor without a deduction for or on account of any withholding tax, back-up withholding or other tax, duties or charges of whatsoever nature imposed by any authority of any jurisdiction, (b) is or will be required to pay any tax, duty or charge of whatsoever nature imposed by any authority of any jurisdiction in respect of any payment received in respect of any Securities forming part of the Secured Property and/or (c) is or will be required to comply with any reporting requirement (other than in respect of FATCA) of any authority of any jurisdiction in respect of any payment received in respect of any Securities forming part of the Secured Property, provided that, in each case, the Issuer, using reasonable efforts prior to the due date for the relevant payment, is (or would be) unable to avoid such deduction(s), payment(s) and/or reporting requirements described in clauses (a) to (c) above by filing a valid declaration that it is not a resident of such jurisdiction and/or by executing any certificate, form or other document in order to make a claim under a double taxation treaty or other exemption available to it. If the action that the Issuer would be required to undertake so as to avoid any such deduction(s), payment(s) and/or reporting requirements would involve any material expense or is, in the sole opinion of the Issuer, unduly onerous the Issuer shall not be required to take any such action.

Without prejudice to the generality of the foregoing, a withholding imposed on payments in respect of any Securities as a result of FATCA shall constitute a Tax Event. For the purposes of this definition, if on the date falling 60 calendar days prior to the earliest date on which FATCA Withholding Tax could apply to payments under, or in respect of sales proceeds of, the Securities (such 60th day prior being the “**FATCA Test Date**”), the Issuer is a “nonparticipating foreign financial institution” (as such term is used under section 1471 of the U.S. Internal Revenue Code or in any regulations or guidance thereunder), the Issuer will be deemed on the

FATCA Test Date to be unable to receive a payment due in respect of such Securities in full on the due date therefor without deduction for or on account of any withholding tax and, therefore, a Tax Event will have occurred on the FATCA Test Date.

Upon the occurrence of a Tax Event, the Issuer shall forthwith so inform the Trustee, and shall use all reasonable endeavours to arrange, in accordance with the Trust Deed, the substitution of a company incorporated in another jurisdiction approved beforehand in writing by the Trustee (provided that such substitution will not, at the time of substitution, result in any rating assigned to the Notes being adversely affected, as confirmed in writing by Standard & Poor's) as the principal obligor or to change (to the satisfaction of the Trustee and provided that such change will not, at the time of such change, result in any rating assigned to the Notes being adversely affected, as confirmed in writing by Standard & Poor's) its residence for taxation purposes to another jurisdiction approved beforehand in writing by the Trustee and if:

- (A) it is unable to arrange such substitution or change in residence subsequent to taking reasonable measures to do so before the next payment is due in respect of the Notes, then the Issuer shall give no more than 30 days' notice to the Trustee and the Noteholders and upon the giving of such notice all of the Notes shall become due for redemption on the date specified in such notice (which for the avoidance of doubt shall be the date designated as the Early Redemption Date in respect of the relevant Tax Event) at their Early Redemption Amount and such Tax Event shall constitute a Liquidation Event; or
- (B) it is unable to arrange such substitution or change in residence and it fails, in the determination of the Trustee, to take reasonable measures to do so before the next payment date is due in respect of the Notes, then: (i) upon making such determination, the Trustee shall give notice to the Issuer and the Noteholders of such determination; (ii) upon giving such notice all of the Notes shall immediately become due and payable (which for the avoidance of doubt the date of such notice shall be the date designated as the Early Redemption Date in respect of the relevant Tax Event) at their Early Redemption Amount; and (iii) the Security Interests shall become enforceable and the Trustee shall so enforce them to the extent it is permitted to do so under the Trust Deed (subject to it being secured and/or indemnified and/or prefunded to its satisfaction and subject to it receiving a Holder Direction, Extraordinary Resolution Direction or Agent Direction) in accordance with Condition 5(c) (*Enforcement of Security Interests*), and, for the avoidance of doubt, in doing so the Trustee shall be entitled to undertake all such actions that the Issuer was entitled to undertake if it were to have arranged such a substitution.

In respect of this Condition, if a Tax deduction or withholding (collectively, a “**Tax Deduction**”) is required by law to be made by the Securities Issuer in respect of any payment of principal or interest in respect of the Securities for any Taxes, duties, assessments or governmental charges of whatever nature imposed by or on behalf of Switzerland, such Tax Deduction shall not constitute a Tax Event pursuant to paragraph (iii) of that definition if there is an actual payment by the Securities Issuer of a corresponding payment of additional amounts pursuant to Securities Condition 7 (*Taxation*).

Notwithstanding any provision to the contrary, if at any time prior to the redemption of the Notes pursuant to this Condition: (a) (I) a Securities Event of Default occurs and the Issuer gives notice of an Early Redemption Date pursuant to Condition 8(b) (*Early Redemption following Securities Event of Default or Scheduled Securities Event*) or (II) a Scheduled

Securities Event occurs and the Issuer gives notice of an Early Redemption Date pursuant to Condition 8(b) (*Early Redemption following Securities Event of Default or Scheduled Securities Event*) and all (but not part) of the Securities become redeemable or repayable prior to the Securities Maturity Date; and (b) (I) the Issuer, or the Realisation Agent on the Issuer's behalf, has not entered into any binding agreement to effect a Liquidation of any Securities; and (II) the Trustee has not enforced the Security Interests, in each case, following the occurrence of such Securities Event of Default or Scheduled Securities Event, then the notice of redemption given pursuant to this Condition shall be deemed to be void and the Notes shall be redeemed pursuant to the provisions of Condition 8(b) (*Early Redemption following Securities Event of Default or Scheduled Securities Event*).

The Issuer shall, following the occurrence of a Tax Event where no substitution or change in residence for taxation purposes is effected pursuant to this Condition 8(c), notify the Securities Issuer (pursuant to the Issue Deed) that, as a consequence of the occurrence of such an event, the Notes will be Liquidated or the Security Interests in respect of the Notes have become enforceable.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer stating that the obligations referred to in the definition of "Tax Event" above cannot be avoided by the Issuer taking reasonable measures available to it, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in this Condition without further enquiry or liability, in which event such acceptance shall be conclusive and binding on the Noteholders.

Notwithstanding the foregoing, if the requirement to withhold, deduct or account for any present or future taxes, duties or charges of whatsoever nature referred to in the definition of "Tax Event" above arises solely as a result of:

- (A) any Noteholder's connection with the jurisdiction of incorporation of the Issuer otherwise than by reason only of the holding of any Note or receiving or being entitled to any payment in respect thereof; or
- (B) a withholding or deduction imposed on a payment by or on behalf of the Issuer to an individual required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, or pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in such Directive, including, but not limited to, the agreement between the European Union and Switzerland of 26 October 2004, or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements; or
- (C) any taxes required to be withheld or deducted from a payment pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation proposed by the Swiss Federal Council on 17 December 2014, in particular the principle to have a person other than the issuer withhold or deduct tax; or
- (D) where such withholding or deduction is required to be made pursuant to any agreements between Switzerland and other countries on final withholding taxes levied by Swiss

paying agents in respect of persons resident in the other country on income of such person on and booked or deposited with a Swiss paying agent (*internationale Quellensteuer*) and any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements,

then, to the extent possible, the Issuer shall deduct such taxes, duties or charges, as applicable, from the amount(s) payable to such Noteholder, and provided that payments to other Noteholders would not be impaired, the Issuer shall not give a notice to the Trustee pursuant to this Condition 8(c). Any such deduction shall not constitute an Event of Default or a Liquidation Event.

For the avoidance of doubt, none of the Issuer, the Trustee or the Calculation Agent shall be required to monitor, enquire or satisfy itself as to whether any Tax Event has occurred. Neither the Trustee nor the Calculation Agent shall have any obligation, responsibility or liability for giving or not giving any notice thereof to the Issuer or any Secured Party. If the Issuer gives a notice to the Trustee of the occurrence of a Tax Event, the Trustee shall be entitled to rely conclusively on such notice without further investigation or liability.

**(d) Events of Default**

If any of the following events (“**Events of Default**”) occur, the Trustee at its discretion may, and if so directed by a Holder Direction or an Extraordinary Resolution shall (provided in each case that the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer (which notice shall be copied to the Realisation Agent) that the Notes are, and they shall immediately become, due and payable (which for the avoidance of doubt shall be the date designated as the Early Redemption Date in respect of the relevant Event of Default) at their Early Redemption Amount:

- (i) if default is made for more than 14 days in the payment of any sum due in respect of any Note; or
- (ii) if the Issuer does not perform or comply with any one or more of its other obligations under the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days (or such longer period as the Trustee may permit) after notice of such default shall have been given to the Issuer by the Trustee and, in each case, that the Trustee considers such a default to be materially prejudicial to the interests of the Noteholders; or
- (iii) if any order shall be made by any competent court or authority or any resolution passed for the winding-up, (forced or voluntary) liquidation or dissolution of the Issuer or the appointment of an examiner, liquidator or similar official in relation to the Issuer save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders.

The Issuer shall, following receipt of notice from the Trustee that an Event of Default has occurred, notify the Securities Issuer (pursuant to the Issue Deed) that, as a consequence of the occurrence of such an event, the Security Interests in respect of the Notes have become enforceable.

Notwithstanding any provision to the contrary, if at any time prior to the redemption of the Notes pursuant to this Condition: (a)(I) a Securities Event of Default occurs and the Issuer gives notice of an Early Redemption Date pursuant to Condition 8(b) (*Early Redemption following Securities Event of*

*Default or Scheduled Securities Event*) or (II) a Scheduled Securities Event occurs and the Issuer gives notice of an Early Redemption Date pursuant to Condition 8(b) (*Early Redemption following Securities Event of Default or Scheduled Securities Event*) and all (but not part) of the Securities become redeemable or repayable prior to the Securities Maturity Date; and (b) the Trustee has not enforced the Security Interests following the occurrence of such Securities Event of Default or Scheduled Securities Event, then any notice given by the Trustee to the Issuer pursuant to this Condition shall be deemed to be void and the Notes shall be redeemed pursuant to the provisions of Condition 8(b) (*Early Redemption following Securities Event of Default or Scheduled Securities Event*).

The Issuer has undertaken in the Trust Deed that, annually and also within 14 days of any request by the Trustee, it will send to the Trustee a certificate signed by one director of the Issuer to the effect that to the best of the knowledge, information and belief of the director as at a date not more than five days prior to the date of the certificate no Event of Default has occurred.

**(e) Illegality Event**

If, due to the adoption of, or any change in, any applicable law after the Issue Date, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful for the Issuer (i) to perform any absolute or contingent obligation to make a payment or delivery in respect of any of the Agency Agreement, the Custody Agreement, the Trust Deed, the Issue Deed or the Notes or (ii) to hold any Securities or to receive a payment or delivery in respect of any Securities or (iii) to comply with any other material provision of any of the Agency Agreement, the Custody Agreement, the Trust Deed, the Issue Deed or the Notes (an “**Illegality Event**”), and such Illegality Event cannot be avoided by the Issuer taking reasonable measures available to it, then the Issuer shall forthwith so inform the Trustee, and shall use all reasonable endeavours to arrange, in accordance with the Trust Deed, the substitution of a company, being a company whose legal characteristics are such that if it were to perform the obligations of the Issuer, no Illegality Event would arise, that is approved beforehand in writing by the Trustee (provided that such substitution will not, at the time of substitution, result in any rating assigned to the Notes being adversely affected, as confirmed in writing by Standard & Poor’s) as the principal obligor or to change (to the satisfaction of the Trustee and provided that such change will not, at the time of such change, result in any rating assigned to the Notes being adversely affected, as confirmed in writing by Standard & Poor’s) its legal characteristics such that no Illegality Event arises in respect of it, as approved beforehand in writing by the Trustee and if:

- (i) it is unable to arrange such substitution or change in legal characteristics subsequent to taking reasonable measures to do so before the next payment is due in respect of the Notes, the Issuer shall give no more than 30 days’ notice to the Trustee and the Noteholders, and upon the giving of such notice all of the Notes shall become due for redemption on the date specified in such notice (which for the avoidance of doubt shall be the date designated as the Early Redemption Date in respect of the relevant Illegality Event) at their Early Redemption Amount and such Illegality Event shall constitute a Liquidation Event; or
- (ii) it is unable to arrange such substitution or change in legal characteristics subsequent to a failure, in the determination of the Trustee, to take reasonable measures to do so before the next payment date is due in respect of the Notes, then: (i) upon making such determination, the Trustee shall give notice to the Issuer and the Noteholders of such determination; (ii) upon giving such notice all of the Notes shall immediately become due and payable (which for the avoidance of doubt the date of such notice shall be the date designated as the Early Redemption

Date in respect of the relevant Illegality Event) at their Early Redemption Amount; and (iii) the Security Interests shall become enforceable and the Trustee shall so enforce them to the extent it is permitted to do so under the Trust Deed (subject to it being secured and/or indemnified and/or prefunded to its satisfaction and subject to it receiving a Holder Direction, Extraordinary Resolution Direction or Agent Direction) in accordance with Condition 5(c) (*Enforcement of Security Interests*), and, for the avoidance of doubt, in doing so the Trustee shall be entitled to undertake all such actions that the Issuer was entitled to undertake if it were to have arranged such a substitution.

Notwithstanding any provision to the contrary, if at any time prior to the redemption of the Notes pursuant to this Condition: (a) (I) a Securities Event of Default occurs and the Issuer gives notice of an Early Redemption Date pursuant to Condition 8(b) (*Early Redemption following Securities Event of Default or Scheduled Securities Event*) or (II) a Scheduled Securities Event occurs and the Issuer gives notice of an Early Redemption Date pursuant to Condition 8(b) (*Early Redemption following Securities Event of Default or Scheduled Securities Event*) and all (but not part) of the Securities become redeemable or repayable prior to the Securities Maturity Date; and (b) (I) the Issuer, or the Realisation Agent on the Issuer's behalf, has not entered into any binding agreement to effect a Liquidation of any Securities; and (II) the Trustee has not enforced the Security Interests, in each case, following the occurrence of such Securities Event of Default or Scheduled Securities Event, then the notice of redemption given pursuant to this Condition shall be deemed to be void and the Notes shall be redeemed pursuant to the provisions of Condition 8(b) (*Early Redemption following Securities Event of Default or Scheduled Securities Event*).

The Issuer shall, following the occurrence of an Illegality Event where no substitution or change in legal characteristics is effected pursuant to this Condition 8(e), notify the Securities Issuer (pursuant to the Issue Deed) that, as a consequence of the occurrence of such an event, the Notes will be Liquidated or the Security Interests in respect of the Notes have become enforceable.

**(f) Purchases**

The Issuer may only purchase or exchange Notes in accordance with the special conditions below:

- (i) The Issuer may at any time make an offer to purchase the Notes for cash consideration or to receive the Notes for cancellation (an “**Issuer Tender Offer**”) or to exchange the Notes for non-cash assets (an “**Issuer Exchange Offer**”) (in each case, whether by private treaty or tender offer). Any Issuer Tender Offer or Issuer Exchange Offer may only be made on a limited recourse basis and upon terms that will ensure that after any such purchase and cancellation or exchange of Notes, the aggregate principal amount of Notes outstanding will be the same as the aggregate principal amount of Securities outstanding. The Issuer shall not make an Issuer Tender Offer or an Issuer Exchange Offer (A) other than in the case of the Issuer receiving Notes for cancellation, without first having entered into an agency agreement with an agent to act as tender agent or, as the case may be, exchange agent for the Issuer in connection with the Issuer Tender Offer or the Issuer Exchange Offer and (B) without first being satisfied that its costs and expenses in connection with the same will be met, and subject to Standard & Poor's being notified of the same and confirming in writing that the then current rating of the Notes by Standard & Poor's will not be adversely affected after the conclusion of any such Issuer Tender Offer or Issuer Exchange Offer. Furthermore, any Issuer Tender Offer or Issuer Exchange Offer shall be subject to any terms and conditions required by the Trustee and shall, for as long as the Notes are listed on the official list of the Irish Stock Exchange and admitted to trading on the regulated market of the Irish Stock Exchange, be in accordance with all applicable rules and

regulations of the Irish Stock Exchange. The Issuer shall forthwith notify Standard & Poor's if any Notes are purchased or exchanged pursuant to this Condition.

- (ii) If at any time the Securities Issuer makes an offer to the Issuer, or to the Custodian on behalf of the Issuer, to purchase the Securities for cash consideration or to receive the Securities for cancellation (a “**Tender Offer**”) or for non-cash assets (an “**Exchange Offer**”), then the Issuer shall not accept such Tender Offer or Exchange Offer (notwithstanding anything to the contrary in Condition 14(a) (*Meetings of Noteholders*)), and the Trustee shall not be permitted to release the Security Interests created over the Securities pursuant to the Trust Deed, other than in accordance with paragraphs (iii) and (iv) below.
- (iii) Subject to the requirements of paragraph (i) above, the Issuer shall make an Issuer Tender Offer or, as the case may be, an Issuer Exchange Offer, upon the occurrence of a Tender Offer or, as the case may be, an Exchange Offer unless in the reasonable opinion of the Issuer, the Issuer would be materially disadvantaged by the same.
- (iv) For purposes of any Issuer Tender Offer or Issuer Exchange Offer, whether or not relating to any Tender Offer or Exchange Offer, the Trustee shall not release the Security Interests created over the Securities pursuant to the Trust Deed except that it may release the Security Interests to the extent that after such release and taking into account, and having been provided with evidence thereof to its satisfaction of, any purchase and cancellation or exchange of Notes pursuant to any Issuer Tender Offer or Issuer Exchange Offer, the aggregate principal amount of the Securities outstanding will be the same as the aggregate principal amount of Notes outstanding. To the extent that such Issuer Tender Offer or Issuer Exchange Offer relates to any Tender Offer or, as the case may be, Exchange Offer, following the release of such Security Interests the Issuer shall accept (or procure the acceptance of) such Tender Offer or Exchange Offer in respect of the Security Interests so released.

Any failure by the Issuer to make a payment or delivery due in connection with any Issuer Tender Offer or Issuer Exchange Offer shall constitute a default in payment in respect of the Notes for purposes of Condition 8(d) (*Events of Default*).

**(g) Cancellation**

All Notes purchased by or on behalf of the Issuer shall be surrendered for cancellation by surrendering the Certificate representing such Notes to the Registrar or any Transfer Agent and shall, together with all Notes redeemed by the Issuer, be cancelled forthwith. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

The provisions of Condition 8(g) (*Cancellation*) shall apply to the exchange or retirement of Notes as well as to the purchase of Notes in accordance with Condition 8(f) (*Purchases*).

**(h) Trustee: no duty to monitor**

For the avoidance of doubt and for the purposes of these Conditions, the Trustee shall not be required to monitor whether any Securities Event of Default, Scheduled Securities Event, Event of Default, Tax Event or Illegality Event or any other event has occurred under this Condition and shall have no obligation, responsibility or liability for giving or not giving any notice thereof to the Issuer or the Calculation Agent. The Trustee shall be entitled to rely on any notice given by the Issuer or the Calculation Agent in respect thereof without further enquiry or investigation or liability in respect thereof.

## 9 Payments

### (a) Method of Payment

Payments of principal in respect of the Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 9(a)(ii).

- (i) Interest on the Notes shall be paid to the person shown on the Register at the close of business on (i) the 15th day before the due date for payment thereof or (ii) where the Note is represented by a Global Certificate, one Clearing Business Day before the due date for payment of any payment due on a Note (the “**Record Date**”).
- (ii) Payments of interest on each Note shall be made in the relevant currency by cheque drawn on a Bank, and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register, upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, and such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

### (b) Payments subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Noteholders in respect of such payments.

### (c) Non-Business Days

If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 9(c) (*Non-Business Days*), “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the jurisdictions specified as “*Business Centres*” in these Conditions and, where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency.

### (d) Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of the principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

### (e) Withholding or deductions on payments in respect of the Notes

Without prejudice to Condition 8(c) (*Redemption for taxation reasons*), all payments in respect of the Notes will be made subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature that the Issuer or any Agent is required by applicable law to make. In that event, the Issuer or such Agent shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount(s) so required to be withheld or deducted. Neither the Issuer nor any Agent will be obliged to make any additional payments to Noteholders in respect of such withholding or deduction. For the purposes of this Condition 9(e), any FATCA Withholding Tax shall be deemed to be required by applicable law.



**(f) FATCA Information**

Each Noteholder and beneficial owner of Notes shall provide the Issuer and/or any agent acting on behalf of the Issuer with such documentation, information or waiver as may be requested by the Issuer and/or any agent acting on behalf of the Issuer in order for the Issuer to comply with any obligations it, and/or any agent acting on its behalf, may have under FATCA and under any agreement entered into by the Issuer and/or any agent acting on behalf of the Issuer pursuant to, or in respect of, FATCA. Each Noteholder and beneficial owner of the Notes further agrees and consents that in respect of FATCA the Issuer may, but is not obliged and owes no duty to any person to, enter into an agreement with the U.S. Internal Revenue Service in such form as may be required to avoid the imposition of withholding under FATCA on payments made to the Issuer. In connection therewith, the Issuer may make such amendments to the Notes as are necessary to enable the Issuer to enter into, or comply with the terms of, any such agreement. Any such amendment will be binding on the Noteholders.

**10 Agents**

**(a) Appointment of Agents (other than the Realisation Agent)**

The Issuing and Paying Agent, the Registrar, the Transfer Agent, the Custodian, the Enforcement Agent and the Calculation Agent initially appointed by the Issuer and (where relevant), their respective specified offices are listed below.

<b>Issuing and Paying Agent, Registrar, Transfer Agent and Custodian</b>	HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom
<b>Calculation Agent</b>	Barclays Bank PLC
<b>Enforcement Agent</b>	HSBC Bank plc

The Issuing and Paying Agent, the Registrar, the Transfer Agent, the Custodian, the Enforcement Agent and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, the Registrar, the Transfer Agent, the Custodian, the Enforcement Agent or the Calculation Agent and to appoint additional or other paying agents, Registrar, Transfer Agent(s), Custodian(s), Enforcement Agent(s) or Calculation Agent(s), provided that such variation, termination, or appointment will not, at the time of such variation, termination of, or appointment, result in any rating assigned to the Notes being adversely affected, as confirmed in writing by Standard & Poor's and provided further that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) a Calculation Agent, (v) a Custodian, (vi) an Enforcement Agent where the Conditions so require (except where the Trust Deed permits the Enforcement Agent to resign without a replacement having been appointed), (vii) a Realisation Agent where the Conditions so require and (viii) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee. Notwithstanding anything to the contrary in these Conditions, at no time shall the Issuer be permitted to appoint an Issuing and Paying Agent resident in Switzerland with respect to the Notes.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

Following the occurrence of an Enforcement Agent Bankruptcy, if Noteholders representing at least 75 per cent. of the Aggregate Nominal Amount of the Notes outstanding (subject to such Noteholders providing evidence of their holdings of the Notes to the satisfaction of the Issuer and the Trustee) direct the Issuer in writing to appoint a party chosen by the Noteholders as the replacement Enforcement Agent (subject to such party executing a Deed of Accession and such party being a financial institution authorised and regulated by the appropriate regulatory authority), then the Issuer shall act in accordance with such direction.

**(b) Appointment of Realisation Agent**

Notwithstanding any term to the contrary and the use of the term “agent” and unless specified otherwise in these Conditions, in performing its respective duties and exercising its rights in respect of the Notes, the Realisation Agent acts solely as principal, and not as an agent of any party, and as such does not assume any obligation, fiduciary duty or responsibility to, or relationship of agency or trust with or towards, any person, including investors or prospective investors in the Notes.

Subject to Condition 10(c) (*Termination and Replacement following a Realisation Agent Bankruptcy*), the Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Realisation Agent and to appoint additional or other Realisation Agent(s), provided that the Issuer shall at all times maintain a Realisation Agent.

**(c) Termination and Replacement following a Realisation Agent Bankruptcy**

**(i) Automatic termination**

Upon occurrence of a Realisation Agent Bankruptcy, the appointment of the Realisation Agent shall automatically terminate (unless a Realisation Agent Certificate is delivered in accordance with Condition 10(c)(ii) (*Replacement of Realisation Agent*)) and the replacement mechanics set out under this Condition 10(c) (*Termination and Replacement following a Realisation Agent Bankruptcy*) and in the Agency Agreement shall apply to determine the replacement Realisation Agent.

**(ii) Replacement of Realisation Agent**

Following the occurrence of a Realisation Agent Bankruptcy, Noteholders representing at least 75 per cent. of the Aggregate Nominal Amount of the Notes outstanding (subject to such Noteholders providing evidence of their holdings of the Notes), in each case, to the satisfaction of the Issuer and the Trustee) may send a notice (a “**Replacement Event Notice**”) to the Issuer notifying the Issuer of such Realisation Agent Bankruptcy. The directors of the Issuer shall forthwith either notify the Trustee, the Noteholders and the Realisation Agent of the receipt of such Replacement Event Notice or, where the directors of the Issuer have determined that a Realisation Agent Bankruptcy has occurred, send a Replacement Event Notice to the Trustee, the Noteholders and the Realisation Agent (the date of such notification being the “**Notification Date**”). For the avoidance of doubt, where more than one valid Replacement Event Notice in respect of the same Realisation Agent Bankruptcy has been issued, only the earliest of these will be valid for the purposes of this Condition 10(c) (*Termination and Replacement following a Realisation Agency Bankruptcy*). Unless the Realisation Agent delivers a certificate (a “**Realisation Agent Certificate**”) signed by two authorised representatives in good faith to the Issuer and the Trustee within 10 Business Days of the Notification Date certifying that the Realisation Agent Bankruptcy has not occurred, the Realisation Agent shall be replaced if the following conditions are met:

(A) **Noteholder Replacement**

Noteholders representing at least 75 per cent. of the Aggregate Nominal Amount of the Notes outstanding (subject to such Noteholders providing evidence of their holdings of the Notes to the satisfaction of the Issuer and the Trustee) may direct the Issuer in writing not earlier than 11 Business Days but not later than 20 Business Days after the Notification Date (the “**Nomination Period**”) to appoint a party chosen by the Noteholders as the replacement Realisation Agent (subject to such party executing a Deed of Accession and such party being a financial institution authorised and regulated by the appropriate regulatory authority); or

(B) **Bid Process Replacement**

if the Issuer has not received any direction from Noteholders representing at least 75 per cent. of the Aggregate Nominal Amount of the Notes outstanding within the Nomination Period, the Issuer will serve a Bid Request on all Approved Counterparties within five Business Days of the end of the Nomination Period. The Bid Request will specify that all bids must be received by the Issuer within 10 Business Days of the date of the Bid Request (the “**Bid Period**”). Following the expiry of the Bid Period, the Issuer will appoint the Approved Counterparty which provided the lowest fee quotation in response to the Bid Request as the replacement Realisation Agent within five Business Days of the end of the Bid Period (subject to such party executing a Deed of Accession).

(iii) **Replacement Event Failure**

If a:

- (A) Liquidation Confirmation has been delivered to the Realisation Agent;
- (B) Replacement Event Notice has been delivered and the Realisation Agent has not delivered a Realisation Agent Certificate pursuant to and in accordance with the terms of Condition 10(c)(ii) (*Replacement of Realisation Agent*); and
- (C) replacement Realisation Agent has not been appointed within 60 Business Days of the sending of such Replacement Event Notice,

the Security Interests shall become enforceable and the Trustee shall so enforce them (subject to it being secured and/or indemnified and/or prefunded to its satisfaction and subject to its receiving a Holder Direction, Extraordinary Resolution Direction or Agent Direction) in accordance with Condition 5(c) (*Enforcement of Security Interests*).

(d) **Termination and Replacement following a Liquidation Procedures Failure**

(i) **Liquidation Procedures Failure**

If a Liquidation Procedures Failure occurs, the Issuer will serve a Bid Request on all Approved Counterparties within five Business Days of such occurrence. The Bid Request will specify that all bids must be received by the Issuer within 10 Business Days of the date of the Bid Request (the “**Liquidation Procedures Failure Bid Period**”). Following the expiry of the Liquidation Procedures Failure Bid Period, the Issuer will appoint the Approved Counterparty which provided the lowest fee quotation in response to the Bid Request as the replacement Realisation Agent within five Business Days of the end of the Liquidation Procedures Failure Bid Period (subject to such party executing a Deed of Accession).

(ii) **Failure to appoint replacement Realisation Agent**

If, following a Liquidation Procedures Failure, a replacement Realisation Agent has not been appointed within 60 Business Days of such occurrence, the Security Interests shall become enforceable and the Trustee shall so enforce them (subject to it being secured and/or indemnified and/or prefunded to its satisfaction and subject to its receiving a Holder Direction, Extraordinary Resolution Direction or Agent Direction) in accordance with Condition 5(c) (*Enforcement of Security Interests*).

## **11 Liquidation**

(a) **Secured Party Liquidation Event Notice**

The Realisation Agent shall commence a Liquidation upon receipt of a Liquidation Confirmation from the Issuer.

In the event that any Secured Party has reasonable grounds to believe that a Liquidation Event has occurred, it may send a notice of the same (a “**Secured Party Liquidation Event Notice**”) to the Issuer, the Enforcement Agent and the Trustee.

Upon receipt of a Secured Party Liquidation Event Notice, the Issuer shall determine in good faith whether such Liquidation Event has occurred and whether the Notes are capable of early redemption in accordance with the Conditions. If the Issuer is satisfied that a Liquidation Event has occurred, it shall send a Liquidation Confirmation to the Realisation Agent with a copy of such notice to all the Secured Parties as soon as reasonably practicable following receipt of the Secured Party Liquidation Event Notice, provided that if at such time there is no Realisation Agent, then if a replacement Realisation Agent is appointed pursuant to Condition 10 (*Agents*), such notice shall be provided to such replacement Realisation Agent (if any) upon its appointment as Realisation Agent.

For the avoidance of doubt and for the purposes of these Conditions, the Trustee shall not be required to monitor whether any Liquidation Event has occurred or to calculate any Early Redemption Amount and shall have no obligation, responsibility or liability for giving or not giving any notice thereof to the Issuer or the Calculation Agent. The Trustee shall be entitled to rely on any notice given by the Issuer or the Calculation Agent in respect thereof without further enquiry or investigation or liability in respect thereof.

The Realisation Agent shall not be regarded as acting as the agent of the Trustee in any circumstances and the Trustee shall not incur any liability to any person in respect of any acts or omissions of the Realisation Agent.

The Realisation Agent need not investigate whether a Liquidation Event has occurred. Unless the Realisation Agent has received a Liquidation Confirmation from the Issuer that a Liquidation Event has occurred, the Realisation Agent may assume that no Liquidation Event has occurred.

Any Liquidation Confirmation delivered by the Issuer shall not be valid and the Realisation Agent shall not take any action in relation thereto if the Realisation Agent has already received (i) a valid Liquidation Confirmation in respect of the same or a prior Liquidation Event or (ii) notification that the Trustee has instituted any step, action or proceeding to enforce the terms of the Trust Deed following the Security Interests becoming enforceable.

**(b) Liquidation Process**

Notwithstanding the foregoing, pursuant to the Agency Agreement, upon receipt (or deemed receipt) of a Liquidation Confirmation confirming that a Liquidation Event has occurred, the Realisation Agent shall, on behalf of the Issuer but acting as principal, arrange as soon as reasonably practicable an orderly Liquidation of some or all of the Securities in accordance with the Liquidation Procedures set out below.

Subject to complying with the Liquidation Procedures, the Realisation Agent may take such steps as it considers appropriate in order to arrange such Liquidation, including but not limited to selecting the method of Liquidating any Securities.

In arranging any Liquidation, the Realisation Agent shall follow the procedures (the “**Liquidation Procedures**”) set out in Conditions 11(b)(i) to 11(b)(x) and:

- (i) shall act at all times in good faith and in a commercially reasonable manner;
- (ii) subject to Conditions 11(b)(iii), 11(b)(ix) and 11(e) and following the occurrence of any Liquidation Event (taking into account the characteristics and total amount of Securities to be Liquidated and the time elapsed since occurrence of relevant Liquidation Event):
  - (A) shall use all reasonable endeavours to obtain firm bid quotations for the Securities from at least five Qualifying Banks;
  - (B) where two or more firm bid quotations are received by the Realisation Agent, shall recommend the higher bid to the Issuer for the Liquidation of the Securities;
  - (C) where only one firm bid quotation is received by the Realisation Agent, may recommend that firm bid to the Issuer for the Liquidation of the Securities;
- (iii) the Realisation Agent shall be entitled to arrange any Liquidation by way of one or multiple transactions on one or more dates and the relevant Security Interests will automatically be released without further action on the part of the Trustee in order to arrange any settlement in relation to such Liquidation in accordance with Condition 5(j)(iii) (*Release of Security Interests to effect Liquidation*);
- (iv) shall not have any obligations towards or relationship of agency or trust with the Noteholders or the Trustee;
- (v) may consult on any legal matter any reputable legal adviser of international standing selected by it, who may be an adviser to the Issuer, and it shall not be liable in respect of anything done or omitted to be done relating to that matter in good faith in accordance with that adviser’s opinion;
- (vi) shall not be liable in respect of anything done or suffered by it in reliance on a document it reasonably believed to be genuine and to have been signed by the proper parties or on information to which it should properly have regard and which it reasonably believed to be genuine and to have been originated by the proper parties;
- (vii) may enter into any contracts or any other transactions or arrangements with the Issuer, or with the Noteholders, the Securities Issuer (or any part of them) or any affiliate thereof (whether in relation to the Notes or in any other manner whatsoever) or in relation to the Secured Property and may hold or deal in or be a party to the assets, obligations or agreements of which the

relevant Securities form a part and other assets, obligations or agreements of the Securities Issuer;

- (viii) may arrange the Liquidation of some or all of the Securities to affiliates of itself to the extent that they are Qualifying Banks;
- (ix) for the purposes of this Condition 11, the Realisation Agent shall not be liable to the Issuer, the Trustee, the Noteholders, any other Agent, any other Secured Party, or any other person merely because a larger amount could have been received had any such Liquidation been delayed or had the Realisation Agent selected a different method of Liquidating any such Securities; and
- (x) notwithstanding anything to the contrary in these Conditions, the Realisation Agent shall be subject to the transfer restrictions applicable to the Securities in relation to any Liquidation of the Securities under this Condition 11, including but not limited to the restrictions set out in Securities Condition 10(j) (*Restrictions on Transfer of Certain Notes*) and Securities Condition 10(k) (*Grants of Security*). The Realisation Agent shall not, and shall not be required to, Liquidate the Securities where such Liquidation would violate any such transfer restrictions.

Notwithstanding the obligations of the Realisation Agent pursuant to this Condition 11, the Realisation Agent shall not arrange a Liquidation of any Securities which are due to redeem or repay on or before the day which falls three Business Days prior to the day which falls 15 Business Days after the Maturity Date.

Any purchase price for the relevant Securities shall be paid by the relevant purchaser directly into an interest bearing cash account established with the Custodian pursuant to the Custody Agreement pending distribution of such Net Proceeds in accordance with Condition 5(h) (*Application of Proceeds of Liquidation or Enforcement of the Security Interests*). The Custodian shall promptly notify (in writing) the Issuer and the Realisation Agent of the receipt of such amounts that collectively constitute Net Proceeds of the Liquidation of the Securities.

For the avoidance of doubt, as part of a Liquidation, the Realisation Agent may, subject to the restrictions in Securities Condition 10(j) (*Restrictions on Transfer of Certain Notes*) and Securities Condition 10(k) (*Grants of Security*), sell or deliver the relevant Securities to a Noteholder.

**(c) No Fault Liquidation Failure**

If a No Fault Liquidation Failure occurs, the Realisation Agent shall, in accordance with the Liquidation Procedures, attempt a further Liquidation of some or all of the Securities during a period of 30 Business Days beginning from the day after the occurrence of such No Fault Liquidation Failure and in accordance with Condition 11(b) (*Liquidation Process*) (the final day of such period being the “**No Fault Liquidation Failure Cut-off Date**”). If the Realisation Agent fails to arrange such Liquidation prior to the No Fault Liquidation Failure Cut-off Date, then the Realisation Agent shall arrange for the Liquidation of some or all of the Securities, as soon as reasonably practicable, following the No Fault Liquidation Failure Cut-off Date by sending a notice to the Trustee, the Noteholders and the Approved Counterparties specifying:

- (i) that a No Fault Liquidation Failure has occurred and is continuing;
- (ii) the minimum offer price for the relevant Securities;
- (iii) the aggregate amount of the claims of the Secured Parties;
- (iv) the last date for any offers to be made (the “**No Fault Liquidation Failure Bid End Date**”);

- (v) the trade date for the Liquidation of the relevant Securities (the “**Liquidation Trade Date**”); and
- (vi) that the date of settlement shall be the last date of the market standard period for settlement of securities of the same type as the relevant Securities.

Following any Liquidation under this Condition 11(c), any purchase price for the relevant Securities shall be paid by the relevant purchaser directly into an interest bearing cash account established with the Custodian pursuant to the Custody Agreement pending distribution of such Net Proceeds in accordance with Condition 5(h) (*Application of Proceeds of Liquidation or Enforcement of the Security Interests*). The Custodian shall promptly notify (in writing) the Issuer, the Realisation Agent and the Trustee of the receipt of such amounts that collectively constitute Net Proceeds of the Liquidation of such Assets.

**(d) Liquidation by Replacement Realisation Agent**

Where the Issuer has appointed a replacement Realisation Agent in accordance with Conditions 10(c)(ii) (*Replacement of Realisation Agent*) and 10(d)(i) (*Liquidation Procedures Failure*), the replacement Realisation Agent shall arrange Liquidation of the relevant Securities in accordance with Condition 11(b) (*Liquidation Process*) or 11(c) (*No Fault Liquidation Failure*) (as applicable).

**(e) Failure to liquidate Securities following No Fault Liquidation Failure Bid End Date**

If no bid is received by the Realisation Agent on or prior to the No Fault Liquidation Failure Bid End Date from any third party which is greater than zero, the Security Interests shall become enforceable and the Trustee shall so enforce them (subject to it being secured and/or indemnified and/or prefunded to its satisfaction and subject to its receiving a Holder Direction, Extraordinary Resolution Direction or Agent Direction) in accordance with Condition 5(c) (*Enforcement of Security Interests*).

## **12 Enforcement**

If any Security Interests become enforceable, only the Trustee or the Enforcement Agent (acting as agent of the Issuer in accordance with the Issue Deed) may at its discretion and shall, on receipt (by the Issuer, in the case of the Enforcement Agent) of any of a Holder Direction, Extraordinary Resolution Direction or Agent Direction, enforce the Security Interests constituted by the Trust Deed, provided it has been indemnified and/or secured and/or prefunded to its satisfaction. The Trustee or the Enforcement Agent shall (subject to the relevant direction being in form and content satisfactory to the Trustee or the Enforcement Agent) be obliged to act on the first such request or direction received pursuant to this Condition 12.

To do this, the Trustee or any receiver appointed as provided for in the Trust Deed (subject to the following paragraph) or the Enforcement Agent may at its discretion take possession of and/or realise the Securities and/or take action against any person liable in respect of any Securities to enforce repayment of such Securities, enforce and/or terminate the Agency Agreement and/or the Custody Agreement in accordance with their terms, but without any liability as to the consequence of such action and without having regard to the effect of such action on individual Noteholders. None of the Trustee, any receiver or the Enforcement Agent shall be required to take any action in relation to the enforcement of the Security Interests without first being indemnified and/or secured and/or prefunded to its satisfaction.

Notwithstanding the foregoing, in no circumstances shall the Trustee be permitted when acting in its capacity as trustee for the Noteholders and the other Secured Parties, nor shall the Noteholders, the other Secured Parties (when acting in their respective capacities) or any receiver appointed as provided for in the Trust Deed be permitted, to take any action against the Securities Issuer or to enforce any claim that the Issuer may have

against the Securities Issuer under the Securities or the Purchase Agreement or otherwise whether before, upon, or after any Security Interests becoming enforceable. If the Trustee, having become bound to proceed in accordance with the terms of the Trust Deed, but only to the extent that the Trustee is permitted to take such action pursuant to Condition 5(e) (*Realisation of Security Interests*), fails or neglects to do so, then the Noteholders may exercise their rights under Clause 15.2 of the Master Trust Terms to remove the Trustee, but shall in no circumstances be entitled to proceed directly against the Issuer or the Securities Issuer.

If the Enforcement Agent, having become bound to proceed in accordance with the terms of the Trust Deed, fails or neglects to do so, then the Noteholders may exercise their rights under Clause 20.1 of the Master Agency Terms to remove the Enforcement Agent, but shall in no circumstances be entitled to proceed directly against the Issuer or the Securities Issuer.

### **13 Limited Recourse and Non-Petition**

The Trustee and the other Secured Parties shall have recourse only to the Secured Property in respect of the Notes (and, in the case of the Managers' Trustee and the other Managers' Secured Parties, to the Managers' Secured Property). If the Enforcement Proceeds or the Net Proceeds, as the case may be, (and, where applicable, the net proceeds of the realisation of the Managers' Secured Property) are not sufficient to make all payments that, but for the effect of this provision, would then be due in respect of the Issuer Obligations (and, where applicable, any Manager's Claim), then the obligations of the Issuer in respect of such Issuer Obligations (and, where applicable, such Manager's Claim) will be limited to the net proceeds of realisation of the relevant Securities plus any other Secured Property (and, where applicable, the Managers' Secured Property), and the Issuer shall have no further obligation in respect of such Issuer Obligations (and, where applicable, Manager's Claim), in each case, as applied in accordance with the order of priority set out herein, and the other assets of the Issuer will not be available for payment of any Shortfall arising therefrom. Any such Shortfall shall be borne by the Secured Parties (and, where applicable, the Managers' Secured Parties) according to the priorities specified in the Trust Deed.

The Issuer will not be obliged to make any further payment in excess of the Enforcement Proceeds or the Net Proceeds, as the case may be, (or, where applicable, the net proceeds of the realisation of the Managers' Secured Property) and accordingly no debt shall be owed by the Issuer or any of its officers in respect of any Shortfall remaining after realisation of the Security Interests under Condition 5(e) (*Realisation of Security Interests*) or Condition 11 (*Liquidation*), as the case may be, (or, where applicable, realisation of the Managers' Security Interests under Condition 5(g) (*Enforcement Agent to realise Managers' Security Interests*)) and application of the proceeds in accordance with the Trust Deed. In particular, none of the Trustee, the Managers' Trustee, any other Secured Party, any other Managers' Secured Party (or any person acting on behalf of any of them or any other party to the Trust Deed) shall be entitled to institute, or join with any other person in bringing, instituting or joining, insolvency or examinership proceedings (whether court based or otherwise) in relation to the Issuer to recover such Shortfall or otherwise. Failure to make any payment in respect of any Shortfall shall in no circumstances constitute an Event of Default under Condition 8(d) (*Events of Default*). This Condition shall survive redemption of the Notes.

### **14 Meetings of Noteholders, Modification, Waiver and Substitution**

#### **(a) Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. of the Aggregate Nominal Amount of the Notes



outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority of the Aggregate Nominal Amount of the Notes outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iii) to vary any method of, or basis for, calculating any Early Redemption Amount or Final Redemption Amount in respect of the Notes, (iv) to vary the currency or currencies of payment or denomination of the Notes, (v) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, (vi) to modify the provisions of the Trust Deed concerning this exception or (vii) to modify the Security Interests described in Condition 5 (*Security Interests and the Secured Property*), in which case the necessary quorum (the “**Special Quorum**”) shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. of the Aggregate Nominal Amount of the Notes outstanding in accordance with the Trust Deed (provided that no amendment shall be made to the provision in these Conditions relating to the enforcement or realisation of the Secured Property without the prior written consent of the Securities Issuer). Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the Aggregate Nominal Amount of the Notes outstanding (a Written Resolution, as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a Written Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. Such a Written Resolution will be binding on all Noteholders whether or not they participated in such Written Resolution.

These Conditions may be amended, modified or varied in relation to the Notes by the terms of the relevant Issue Deed in relation to such Notes.

**(b) Modification of the Trust Deed**

The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Trust Deed, or any other documentation in connection with the issue of the Notes that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error (for which purpose regard may be had, without limitation, to any document entered into in connection with, the Notes), (ii) any modification of any of the provisions of the Trust Deed, or any other documentation in connection with the issue of the Notes, if the Securities Issuer has exercised its rights pursuant to Securities Condition 6(f) (*Substitution or Variation*) to substitute all (but not some only) of the Securities or vary the terms of the Securities and (iii) any other modification (except as mentioned in Condition 14(a) (*Meetings of Noteholders*)), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable. The Issuer shall

notify Standard & Poor's of any modification made by it in accordance with this Condition and the Trust Deed.

**(c) Substitution**

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, without the consent of the Noteholders to the substitution of any other company in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes provided that such substitution shall not at the time of substitution result in any rating assigned to the Notes being adversely affected, as confirmed in writing by Standard & Poor's. In the case of such a substitution, the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders and that Standard & Poor's shall have confirmed in writing that such change shall not at the time of such change result in any rating assigned to the Notes being adversely affected. Under the Trust Deed, the Trustee may agree or require the Issuer to use all reasonable endeavours to procure the substitution as principal debtor under the Trust Deed and all of the Notes then outstanding of a company incorporated in some other jurisdiction upon the occurrence of any of the taxes referred to in Condition 8(c) (*Redemption for taxation reasons*) arising, provided that such substitution shall not at the time of substitution result in any rating assigned to the Notes being adversely affected, as confirmed in writing by Standard & Poor's.

**(d) Entitlement of the Trustee**

In connection with the exercise of its functions (including, but not limited to, those referred to in this Condition), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences (in particular, any tax consequences) of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

**(e) Modification of Conditions of the Notes**

Subject to Condition 14(b) (*Modification of the Trust Deed*), if and for so long as the Notes are assigned a rating by Standard & Poor's, any amendments made to these Conditions may not result in such rating being adversely affected, as confirmed in writing by Standard & Poor's.

## **15 Replacement of Certificates**

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (that may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificates) and otherwise as the Issuer may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## 16 Further Issues

### (a) Further Issues

The Issuer may from time to time without the consent of the Noteholders but provided that the Trustee is satisfied that the restrictions set out in Condition 16(b) (*Restrictions*) will be complied with, and subject to such restrictions upon prior notice in writing to Standard & Poor's, create and issue further notes either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Notes or upon such terms as the Issuer may determine at the time of their issue, provided that such further issue shall not at the time of issue result in any rating assigned to the Notes being adversely affected, as confirmed in writing by Standard & Poor's. Any such further notes shall only form a single issue with the Notes (unless otherwise approved by an Extraordinary Resolution) if the Issuer provides additional assets as security for such further notes that are fungible with, and have the same proportionate composition as, those forming part of the Secured Property for the Notes and in the same proportion that the nominal amount of such new notes bears to the Notes. Any new notes forming a single series with the Notes shall be constituted and secured by a deed supplemental to the Issue Deed, such further security shall be added to the Secured Property so that the new notes and the existing Notes shall be secured by the same Secured Property and references in these Conditions to "Notes", "Securities" and "Secured Property" shall be construed accordingly.

### (b) Restrictions

The Issuer may only issue further notes that are to form a single issue with the Notes and create or incur further obligations relating to such Notes as provided for in Condition 16(a) (*Further Issues*), if such further notes and obligations are secured on assets of the Issuer other than the Issuer's share capital and any fees paid to the Issuer in respect of the Notes and such further notes; are issued or created on terms substantially in the form contained in Condition 13 (*Limited Recourse and Non-Petition*); are, in the case of such further notes forming a single series with the Notes, secured *pari passu* upon the Secured Property and such further assets of the Issuer upon which such further notes are secured, all in accordance with this Condition 16.

## 17 Notices

Notices to Noteholders shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing and for so long as the Notes are listed and admitted to trading on the Irish Stock Exchange forwarded to the Companies Announcement Office of the Irish Stock Exchange.

## 18 Indemnification and Obligations of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee, for its relief from responsibility including for the exercise of any voting rights in respect of the Securities and for the value, validity, sufficiency and enforceability (that the Trustee has not investigated) of the Security Interests created over the Secured Property and the Managers' Security Interests created over the Managers' Secured Property. The Trustee is not obliged or required to take any step, action or proceeding under the Trust Deed unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee and any affiliate are entitled to enter into business transactions with the Issuer, the Securities Issuer, the Managers or any of their respective subsidiaries, holding or associated companies without accounting to the Noteholders for any profit resulting therefrom.

The Trustee is exempted from liability with respect to any loss or theft or reduction in value of the Securities, from any obligation to insure or to procure the insuring of the Securities and from any claim arising from the fact that the Securities will be held in safe custody by the Custodian or any custodian selected by the Trustee (in each case, if applicable). The Trustee is not responsible or liable for monitoring or supervising the performance by any other person of its obligations to the Issuer and may assume these are being performed unless it shall have actual knowledge to the contrary.

The Trust Deed provides that in acting as Trustee under the Trust Deed the Trustee shall not assume any duty or responsibility to the Custodian, the Issuing and Paying Agent or any other Agent (other than to pay to any of such parties any moneys received and repayable to it and to act in accordance with the provisions of Condition 5 (*Security Interests and the Secured Property*)) and shall have regard solely to the interests of the Noteholders.

## **19 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

## **20 Governing Law and Jurisdiction**

### **(a) Governing Law**

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

### **(b) Jurisdiction**

The courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes and accordingly any legal action or proceedings arising out of or in connection with any Notes (“**Proceedings**”) may be brought in such courts. The Issuer has in the Issue Deed irrevocably submitted to the jurisdiction of such courts.

### **(c) Service of Process**

The Issuer has irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

## **USE OF PROCEEDS**

The net proceeds from the issue of the Notes will be used by the Issuer to purchase the Securities comprising part of the Secured Property in respect of the Notes.

## **SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM**

### **Initial Issue of Notes**

The Notes will be represented by a Global Certificate. Upon the registration of the Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg, and delivery of the relative Global Certificate to the Common Depository, Euroclear and Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Any payment due in respect of the Global Certificate will be made to Euroclear or Clearstream, Luxembourg, in respect of the portion of the Global Certificate held for its account.

### **Relationship of Accountholders with Clearing Systems**

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

### **Transfer**

If a holder of a beneficial interest in the Notes represented by a Global Certificate wishes at any time to transfer such beneficial interest to a person who wishes to take delivery thereof in the form of a beneficial interest in another Global Certificate, such holder may transfer such beneficial interest only in accordance with the procedures set out in the relevant Global Certificate.

### **Exchange**

Each Global Certificate will be exchangeable on or after its Exchange Date in whole but not in part for Definitive Certificates only if the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

“**Definitive Certificate**” means any Certificate issued in exchange for a beneficial interest in the Global Certificate in accordance with the above, and shall comprise registered Notes only.

### **Exchange Date**

“**Exchange Date**” means a day falling five days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

### **Delivery of Certificates**

On or after any due date for exchange, the holder of any Global Certificate may surrender such Global Certificate. In exchange for any Global Certificate, the Issuing and Paying Agent will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Certificates.

Such Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed.

### **Electronic Consent and Written Resolution**

While any Global Certificate is registered in the name of any nominee for a clearing system, then:

- (i) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. of the Aggregate Nominal Amount of the Notes outstanding (an Electronic Consent as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and
- (ii) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee, as the case may be, shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the clearing system with entitlements to such Global Note or Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, “**commercially reasonable evidence**” includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

### **Amendment to Conditions**

The Global Certificates and the Definitive Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Conditions set out in this Offering Memorandum. The following is a summary of those provisions:

### **Payments**

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing Business Day

immediately prior to the date for payment, where Clearing Business Day means Monday to Friday inclusive except 25 December and 1 January.

### **Meetings**

The holder of the Notes represented by a Global Certificate shall (unless such Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, all holders of the Notes are entitled to one vote in respect of each Note comprising such Noteholder's holding, whether or not represented by a Global Certificate.

### **Trustee's Powers**

In considering the interests of Noteholders while any of the Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Certificate.

### **Notices**

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



## DESCRIPTION OF THE ISSUER

### General

The Issuer was registered and incorporated as a public limited company in Dublin, Ireland on 17 July 2007 and operates as a special purpose vehicle under the Irish Companies Acts 1963-2013. The registration number of the Issuer is 443314.

The Issuer has been incorporated for an indefinite period. The registered office of the Issuer is at 2nd Floor, Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland, telephone number +353 1 697 3200. The authorised share capital of the Issuer is €40,000 divided into 40,000 ordinary shares of €1 each, all of which have been issued. Of the 40,000 issued shares, all are fully paid up and held by MaplesFS Trustees Ireland Limited (the “**Share Trustee**”) and its nominee companies. Interests in the issued shares are held on trust for charitable purposes. The Issuer is not a subsidiary of, and its management and general operations are not controlled by, Barclays Bank PLC.

### Business

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation under the Irish Companies Acts 1963-2013, the establishment of the Multi Issuer Secured Transaction Programme engaging in financial transactions pursuant to the Multi Issuer Secured Transaction Programme, the authorisation and issue of other notes pursuant to the Multi Issuer Secured Transaction Programme and the Notes, the matters referred to or contemplated in this Offering Memorandum and the authorisation, execution, delivery and performance of the other documents to which it is or will be a party and matters which are incidental or ancillary to the foregoing. The principal objects of the Issuer are set forth in Clause 3 of its Memorandum of Association and include, *inter alia*, the management of financial assets, the purchase, transfer of, investment in and acquisition by any means, of loans, bonds or other obligations, including the extension of credit and any security therefor and the raising and borrowing of money and the granting of security over its assets for such purposes.

So long as any of the Notes remain outstanding, the Issuer shall not, without the consent of the Trustee (i) incur any other indebtedness for borrowed moneys or engage in any business other than acquiring and holding financial assets comprising the Secured Property, entering into related agreements or transactions and entering into any other secured, limited recourse financial transactions and any documents incidental thereto or necessary in connection therewith, as provided for in the Trust Deed, or, *inter alia*, (ii) have any subsidiaries or employees, (iii) purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), (iv) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity to any person (otherwise than as contemplated in the Conditions and the Trust Deed) or (v) issue any shares (other than such shares as were in issue on 11 December 2007).

The Issuer has, and will have, no assets other than the sum of €40,000 representing its issued and paid-up share capital, such fees (as agreed) payable to it in connection with the issue of, borrowing under, purchase, sale or entering into of such transactions and any secured property and any other assets on which such transactions are secured (the “**Transactions**”). The Issuer has established a bank account with Bank of Ireland at St. Stephen’s Green, Dublin 2, Ireland for the purposes of holding its share capital and any fees paid to it and by it.

The Notes are obligations of the Issuer alone and not of the Share Trustee or the Trustee. Furthermore, they are not obligations of, or guaranteed in any way by, Barclays Bank PLC or any other party.

The Securities will be registered in the name of the Issuer and security granted over the Securities in the manner set out in the Conditions. Payments of principal and interest in respect of the Securities will be made to the Custodian on behalf of the Issuer pursuant to the Custody Agreement. The Securities will be held by the Issuer subject to the provisions of the Securities Condition 10(j) (*Restrictions on Transfer of Certain Notes*) and Securities Condition 10(k) (*Grants of Security*).

Save in respect of the fees generated in connection with Transactions, any related profits and the proceeds of any deposits and investments made from such fees or from amounts representing the Issuer's issued and paid-up share capital, the Issuer does not expect to accumulate any surpluses. Fees payable by the Issuer to its administrator, the Trustee, the Custodian and other Agents will be paid out of the proceeds of entering into each Transaction and none of the Trustee, the Issuing and Paying Agent, the Custodian, the Registrar, the Transfer Agents or the Calculation Agent(s) may have recourse to assets of the Issuer which are held as security for Transactions other than the Transaction in respect of which the claim arises as more fully set out in Condition 13 (*Limited Recourse and Non-Petition*) in respect to the Notes. Additionally, in respect to the Notes the Issuing and Paying Agent, the Custodian, the Registrar, the Transfer Agents and the Calculation Agent(s) have agreed that the payments of outstanding fees (if any) shall be limited to amounts available, following application in accordance with the terms of the Trust Deed, to discharge such liabilities as more fully set out in Condition 13 (*Limited Recourse and Non-Petition*).

As at the date of this Offering Memorandum, other than the other notes issued under the Multi Issuer Secured Transaction Programme, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities. There has been no change in the share capital of the Issuer since 17 July 2007, the date of its incorporation.

## **Directors**

The Directors of the Issuer are as follows:

<b>Name</b>	<b>Principal Occupation</b>
Padraic Doherty	Senior Vice President, Maples Fiduciary Services (Ireland) Limited
Stephen O'Donnell	Senior Vice President, Maples Fiduciary Services (Ireland) Limited

The business address of the Directors is the same as the registered office of the Issuer at 2nd Floor, Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland.

Maples Fiduciary Services (Ireland) Limited of 2nd Floor, Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland is the administrator of the Issuer. Its duties include the provision of certain management, administrative, accounting and related services. The appointment of the administrator may be terminated upon 14 days' notice at any time within 12 months of the happening of certain events and upon three months' notice subject to the appointment of an alternative administrator on similar terms to the existing administrator.

## **Financial Statements**

Interim financial statements of the Issuer have been prepared for the periods ending 30 June 2013 and 30 June 2014 and filed with the Irish Stock Exchange. The annual report and financial statements of the Issuer for the periods ending 31 December 2012 and 31 December 2013 have also been filed with the Irish Stock Exchange and shall be deemed to be incorporated by reference in, and form part of, this Offering Memorandum. The auditors of the Issuer are Deloitte & Touche, Chartered Accountants, at Earlsfort Terrace, Dublin 2, a firm of

Chartered Accountants, are members of the Institute of Chartered Accountants in Ireland and are qualified to act as auditors in Ireland.

## INFORMATION CONCERNING THE PURCHASE OF THE SECURITIES

On the Issue Date, pursuant to the Purchase Agreement, the Issuer will acquire the Securities from the Securities Issuer, which will be registered in the name of the Issuer and any certificate(s) issued in respect thereof will be held by the Custodian acting through its London office pursuant to the Custody Agreement and the Agency Agreement subject to the security interests in favour of the Trustee created by the Trust Deed.

Under the Purchase Agreement, the Securities Issuer has given certain representations and warranties to the Issuer, including in respect of the Securities Issuer's authority and capacity to issue the Securities and that such Securities constitute legal, valid and binding obligations of the Securities Issuer in accordance with their terms, and agreed to indemnify the Issuer against certain liabilities.

The Securities Issuer has acknowledged the assignments by way of security of the Issuer's rights under the Purchase Agreement to the Trustee and the Managers' Trustee. For a description of these assignments see "**5-Security Interests and the Secured Property**" in the Conditions and "**Secured Property**" set out in the section of this Offering Memorandum titled "**Overview of the Offering**".

Information about the Securities is set out in the Securities Base Prospectus and the final terms of the Securities set out in Appendices 1, 2 and 3 to this Offering Memorandum.

## **INFORMATION CONCERNING THE SECURITIES ISSUER**

Information about the Securities Issuer is contained in the Securities Base Prospectus set out in Appendix 1 and Appendix 2 to this Offering Memorandum.

Certain of the Securities Issuer's debt securities are listed on the regulated market of the Bourse de Luxembourg.

## **TRANSFER RESTRICTIONS**

The applicable restrictions on sales, transfers and offers in respect of the Notes is set forth in the sections hereof entitled “Exchange” under the heading “Summary of Provisions Relating to the Notes while in Global Form”, and “Selling Restrictions” under the heading “Subscription and Sale”.

## IRELAND TAX CONSIDERATIONS

*The following is a summary based on the laws and practices currently in force in Ireland at the date of this Offering Memorandum regarding the tax position of investors beneficially owning their Notes and should be treated with appropriate caution. Particular rules may apply to certain classes of taxpayers holding Notes. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.*

### **Withholding Tax**

In general, tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest. However, an exemption from withholding on interest payments exists under Section 64 of the Taxes Consolidation Act, 1997 (the “**1997 Act**”) for certain underlying securities (“**quoted Eurobonds**”) issued by a body corporate (such as the Issuer) that are interest bearing and quoted on a recognised stock exchange (which would include the Irish Stock Exchange).

Any interest paid on such quoted Eurobonds can be paid free of withholding tax provided:

- the person by or through whom the payment is made is not in Ireland; or
- the payment is made by or through a person in Ireland, and either:
  - the quoted Eurobond is held in a clearing system recognised by the Irish Revenue Commissioners (DTC, Euroclear and Clearstream Banking, SA and Clearstream Banking AG are so recognised); or
  - the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to the person by or through whom the payment is made in the prescribed form.

So long as the Notes are quoted on a recognised stock exchange and are held in DTC, Euroclear and/or Clearstream, Luxembourg, interest on the Notes can be paid by the Issuer and any paying agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax.

If, for any reason, the quoted Eurobond exemption referred to above ceases to apply, the Issuer can still pay interest on the Notes free of withholding tax provided it is a “**qualifying company**” (within the meaning of Section 110 of the 1997 Act) and provided the interest is paid to a person resident in a “**relevant territory**” (i.e. a Member State of the European Union (other than Ireland) or a country with which Ireland has a double taxation agreement which has the force of law, or a country with which Ireland has signed a double taxation agreement which will on the completion of certain procedures have the force of law). For this purpose, residence is determined by reference to the law of the country in which the recipient claims to be resident. This exemption from withholding tax will not apply to a company, however, if the interest is paid to that company in connection with a trade or business carried on by it through a branch or agency located in Ireland.

In certain circumstances, Irish tax will be required to be withheld at the standard rate from interest on any quoted Eurobond, where such interest is collected by a bank or other Agent in Ireland on behalf of any Noteholder who is an Irish resident.

## **Taxation of Noteholders**

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish income tax in respect of that interest. Interest paid on the Notes may have an Irish source and therefore be within the charge to Irish income tax, the Universal Social Charge and/or PRSI. Ireland operates a self assessment system in respect of income tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

However, interest on the Notes will be exempt from Irish income tax if:

- (a) the Notes are quoted Eurobonds, are exempt from withholding tax as set out above and the recipient of the interest is:
  - (i) not resident in Ireland and is regarded as being resident in a relevant territory; or
  - (ii) a company:
    - (a) which is controlled, directly or indirectly, by persons who are resident in a relevant territory who are not, themselves, controlled by persons who are not resident in a relevant territory; or
    - (b) the principal class of shares of which are substantially and regularly traded on a recognised stock exchange in a relevant territory or a 75 per cent. subsidiary of such company, or a company wholly owned by 2 or more such companies; or
- (b) the recipient of the interest is resident in a relevant territory and either:
  - (i) the Issuer is a qualifying company and the interest is paid out of the assets of the Issuer; or
  - (ii) if the Issuer has ceased to be a qualifying company, the recipient of the interest is a company and the relevant territory in which the company is resident imposes a tax that generally applies to interest receivable in that territory by companies from sources outside it, or the interest is exempt from income tax under the provisions of a double taxation agreement that was then in force when the interest was paid or would have been exempt had a double taxation agreement that was signed at the date the interest was paid been in force at that date.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed may have a liability to Irish corporation tax on the interest.

Noteholders receiving interest on the Notes which does not fall within the above exemptions may, in limited circumstances, be liable to Irish income tax.

## **Encashment Tax**

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any Notes where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.



## **Capital Gains Tax**

A holder of Notes will be subject to Irish tax on capital gains on a disposal of Notes unless such holder is neither resident nor ordinarily resident in Ireland and does not carry on a trade in Ireland through a branch or agency in respect of which the Notes are used or held.

## **Capital Acquisitions Tax**

A gift or inheritance comprising Notes will be within the charge to capital acquisitions tax if either (i) the donor or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the donor is domiciled in Ireland irrespective of his residence or that of the donee/successor) or (ii) if the Notes are regarded as property situated in Ireland. Bearer notes are generally regarded as situated where they are physically located at any particular time and registered notes are generally regarded as situated where the principal register is maintained or obliged to be maintained, but the Notes may be regarded as situated in Ireland regardless of their physical location or the location of the register as they are secured over Irish property, and they themselves secure a debt due by an Irish resident debtor. Accordingly, if such Notes are comprised in a gift or inheritance, the gift or inheritance may be within the charge to tax regardless of the residence status of the donor or the donee/successor.

## **Stamp Duty**

On the basis of an exemption provided for in Section 85(2)(c) to the Stamp Duties Consolidation Act, 1999 provided the proceeds of the Notes are used in the course of the Issuer's business, no stamp duty or similar tax is imposed in Ireland on the issue, transfer or redemption of the Notes whether they are represented by Global Notes or Definitive Notes.

## **EU Savings Directive**

The Council of the European Union has adopted a directive regarding the taxation of interest income known as the "**European Union Directive on the Taxation of Savings Income (Directive 2003/48/EC)**".

Ireland has implemented the directive into national law. Any Irish paying agent making an interest payment on behalf of the Issuer to an individual, and certain residual entities defined in Section 898D of the 1997 Act, resident in another EU Member State and certain associated and dependent territories of a Member State will have to provide details of the payment to the Irish Revenue Commissioners who in turn will provide such information to the competent authorities of the state or territory of residence of the individual or residual entity concerned.

The Issuer shall be entitled to require the Noteholder to provide any information regarding their tax status, identity or residency in order to satisfy the disclosure requirements in the EU Savings Directive (2003/48/EC) and the Noteholder will be deemed by their subscription for the Notes to have authorised the automatic disclosure of such information by the Issuer or any other person to the relevant tax authorities.

On 24 March 2014, the Council of the European Union adopted an EU Council Directive amending and broadening the scope of the requirements described above. In particular, the changes expand the range of payments covered by the Directive to include certain additional types of income, and widen the range of recipients payments to whom are covered by the Directive, to include certain other types of entity and legal arrangement. Member States are required to implement national legislation giving effect to these changes by 1 January 2016 (which national legislation must apply from 1 January 2017).

## **FATCA Implementation in Ireland**

The governments of Ireland and the United States have signed an Agreement to Improve International Tax Compliance and to Implement FATCA (the “**IGA**”). The IGA is of a type commonly known as a “model 1” agreement. In July 2014, Ireland enacted Financial Accounts Reporting (United States of America) Regulations 2014 (the “**Irish FATCA Regulations**”).

The IGA and Irish FATCA Regulations will increase the amount of tax information automatically exchanged between Ireland and the United States. They provide for the automatic reporting and exchange of information in relation to accounts held in Irish “financial institutions” by U.S. persons and the reciprocal exchange of information regarding U.S. financial accounts held by Irish residents.

The Issuer intends to carry on its business in such a way as to ensure that it is treated as complying with FATCA pursuant to the terms of the IGA and the Irish FATCA Regulations. The Issuer expects to be treated as a “financial institution”. Unless an exemption applies, the Issuer shall be required to register with the US Internal Revenue Service as a “reporting financial institution” for FATCA purposes. In order for the Issuer to comply with its FATCA obligations it may be required to report certain information to the Irish Revenue Commissioners relating to Noteholders who, for FATCA purposes, are specified US persons, non-participating financial institutions or passive non-financial foreign entities (NFFEs) that are controlled by specified US persons. Any information reported by the Issuer to the Irish Revenue Commissioners will be communicated to the US Internal Revenue Service pursuant to the IGA. It is possible that the Irish Revenue Commissioners may also communicate this information to other tax authorities pursuant to the terms of any applicable double tax treaty, intergovernmental agreement or exchange of information regime.

## **CRS**

Ireland and a number of other jurisdictions have also announced that they propose to enter into multilateral arrangements modelled on the Common Reporting Standard for Automatic Exchange of Financial Account Information published by the Organisation for Economic Co-operation and Development (OECD). If implemented into Irish law, this may require the Issuer to provide certain information to the Irish Revenue Commissioners about Noteholders resident or established in the jurisdictions which are party to such arrangements (which information will in turn be provided to the relevant tax authorities).

## SUBSCRIPTION AND SALE

Subject to the terms and conditions contained in the syndication agreement (the “**Syndication Agreement**”) with Barclays Bank PLC and Merrill Lynch International (the “**Managers**”) with respect to the Notes, the Issuer has agreed to sell to the Managers, and the Managers have jointly and severally agreed to purchase from the Issuer, the Notes.

The Managers will purchase the Notes at a customary discount from the price indicated on the cover of this Offering Memorandum and propose initially to offer and sell the Notes at the issue price set forth on the front of this Offering Memorandum. After the initial offering of the Notes, the price at which the Notes are being offered may be changed at any time without notice. The offering of the Notes by the Managers is subject to receipt and acceptance and subject to the Managers’ right to reject any order in whole or in part.

### **Indemnification**

The Issuer has agreed to indemnify the Managers against certain liabilities or to contribute to payments that the Managers may be required to make in respect of those liabilities.

### **Selling Restrictions**

#### **United States**

The Notes have not been and will not be registered under the Securities Act or any state securities laws, and unless so registered, may not be offered or sold within the U.S., or to or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Each of the Managers has acknowledged and agreed that, except as permitted by the Syndication Agreement, in connection with sales outside the United States, it will not offer, sell or deliver the Notes to, or for the account or benefit of U.S. persons (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering or the date the Notes were originally issued. The Managers will send to each dealer to whom they sell the Notes in reliance on Regulation S during the 40-day distribution compliance period, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings assigned to them in Regulation S under the Securities Act.

#### **United Kingdom**

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

## **Ireland**

Each of the Managers has represented and agreed that:

- (a) it will not underwrite the issue of, or place the Notes otherwise than in conformity with the provisions of S.I. No. 60 of 2007, the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3), and any codes of conduct or rules and any condition or requirements, or other enactments, imposed or approved by the Central Bank and the provisions of the Investor Compensation Act 1998;
- (b) it will not underwrite the issue of, or place any Notes otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 to 2014 and any codes of practice made under section 117(1) of the Irish Central Bank Act 1989;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of any Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued under section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank; and
- (d) it will not underwrite the issue of, or place or otherwise act in Ireland in respect of any Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank.

## **Hong Kong**

The notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

## **Singapore**

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each

beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## **Switzerland**

Each Manager has represented, warranted and agreed that (i) it has not publicly offered, sold or advertised, directly or indirectly, and will not publicly offer, sell or advertise, directly or indirectly, the Notes in, into or from Switzerland, and (ii) the aggregate principal amount of Notes sold as part of the primary distribution to investors resident in Switzerland will not exceed 30 per cent. of the aggregate principal amount of the Notes.

The Issuer has not applied for a listing of the Notes on the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and consequently, the information presented in the Offering Memorandum does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange.

Neither this Offering Memorandum nor any other offering and marketing material relating to the offering, nor the Issuer nor the Notes has been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to supervision by any Swiss regulatory authority, e.g., FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

## **Relationships and Other Matters**

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

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

In addition, in the ordinary course of their various business activities, the Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and instruments of the Issuer or the Securities Issuer or its affiliates. Certain of the Managers and their affiliates that have a lending relationship with the Issuer or the Securities Issuer or its affiliates routinely hedge their

credit exposure to the Issuer or the Securities Issuer or its affiliates consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's or the Securities Issuer's or its affiliates' securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes. The Managers and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or financial instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

## GENERAL INFORMATION

- (1) The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by resolutions of the board of directors passed on 17 April 2015.
- (2) There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position or prospects of the Issuer, in each case, since 31 December 2013, the date of its last published audited financial statements.
- (3) The Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Offering Memorandum that may have, or have had in the recent past, significant effects on its financial position or profitability.
- (4) Notes have been accepted for clearing through the Euroclear and Clearstream, Luxembourg systems (these being the entities in charge of keeping the records). The Common Code is 122110664 and the International Securities Identification Number (ISIN) is XS1221106641. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.
- (5) The Issuer does not intend to provide post issuance information.
- (6) The total expenses related to the admission to trading on the Irish Stock Exchange is U.S.\$3,498.88.
- (7) Standard & Poor's Credit Market Services Europe Limited is established in the European Union and is registered under the EU Regulation on credit rating agencies (Regulation (EC) No.1060/2009), as amended.
- (8) None of the websites specified in this Offering Memorandum form part of this Offering Memorandum.
- (9) For so long as Notes may be issued pursuant to this Offering Memorandum and for so long as any listed Notes remain outstanding, from the date of the relevant document, the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection in physical form at the registered office of the Issuer and at the specified office of HSBC Bank plc:
  - (i) the Issue Deed relating to the Notes and each document incorporated by reference into such Issue Deed;
  - (ii) the Memorandum and Articles of Association of the Issuer;
  - (iii) a copy of this Offering Memorandum together with any document incorporated by reference in this Offering Memorandum, or any other document required or permitted to be published by the rules of the Irish Stock Exchange; and
  - (iv) all audited annual financial statements of the Issuer (including the audited annual financial statements of the Issuer for the years ending (a) 31 December 2012, which is also available at [http://www.rns-pdf.londonstockexchange.com/rns/6781D\\_-2013-4-30.pdf](http://www.rns-pdf.londonstockexchange.com/rns/6781D_-2013-4-30.pdf) and (b) 31 December 2013, which is also available at [http://www.rns-pdf.londonstockexchange.com/rns/9988F\\_-2014-4-30.pdf](http://www.rns-pdf.londonstockexchange.com/rns/9988F_-2014-4-30.pdf)) and interim financial statements of the Issuer (including the interim financial statements of the Issuer for the periods ending (a) 30 June 2013, which is also available at <http://www.ise.ie/app/announcementDetails.aspx?ID=11694328> and (b) 30 June 2014, which is also available at [http://www.rns-pdf.londonstockexchange.com/rns/2881Q\\_-2014-8-28.pdf](http://www.rns-pdf.londonstockexchange.com/rns/2881Q_-2014-8-28.pdf)).

- (10) the Issuer is registered and incorporated under the laws of Ireland. None of the directors and executive officers of the Issuer is a resident of the United States, and all or a substantial portion of the assets of the Issuer and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons or to enforce against any of them in the United States courts judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.



## **APPENDIX 1 – SECURITIES BASE PROSPECTUS**

The page numbering in the base prospectus set out in Appendix 1 to this Offering Memorandum follows the page numbering in such base prospectus and not the page numbering in this Offering Memorandum.

## BASE PROSPECTUS

19 May 2014

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

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

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

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

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



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

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

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

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

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

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

**Arranger**  
**Citigroup**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Programme has been assigned credit ratings by Standard & Poor’s Credit Market Services Europe Limited (“**Standard & Poor’s**”) of A+ for Senior Notes, A for dated and undated Subordinated Notes and A for Capital Notes. The Programme has been assigned credit ratings by Moody’s Investors Service Ltd. (“**Moody’s**”) of A1 for Senior Notes, A2 for Subordinated Notes, A3 for Capital Notes (where Trigger Event (as such term is defined in Condition 3(b) of the Terms and Conditions of the Capital Notes) is not specified as being applicable in the relevant Final Terms) and Baa1 (where Trigger Event is specified as being applicable in the relevant Final Terms). Both Standard & Poor’s and Moody’s are established in the EEA and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the “**CRA Regulation**”). A list of registered and certified rating agencies published by the European Securities and Markets Authority (“**ESMA**”) in accordance with the CRA Regulation can be found on its website, though this is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Standard & Poor’s and Moody’s are included in this list as at the date of this Base Prospectus.

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

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

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

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

## RISK FACTORS

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

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

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

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

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

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

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

### **Ratings**

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

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

The performance of ZIC and its operating subsidiaries has been and will continue to be influenced by the economic conditions of the countries in which it operates. Although the global financial system is recovering from the difficulties which first manifested themselves in August 2007 and culminated with the bankruptcy filing by Lehman Brothers in September 2008, a new dislocation of the financial system or the economy cannot be ruled out. Such conditions could lead to unprecedented levels of illiquidity, resulting in the development of significant problems for a number of the world's largest countries, corporate and financial institutions many of which are customers and counterparties of ZIC and its operating subsidiaries in the ordinary course of business.

The performance of ZIC and its operating subsidiaries may be affected by economic conditions impacting sovereign states including euro-zone member states. For example, the financial problems recently experienced by certain euro-zone member states

may lead to the issue of significant volumes of debt, which may in turn reduce demand for debt issued by financial institutions and corporate borrowers. This could adversely affect the Zurich Insurance Group's access to the debt capital markets and may increase its funding costs, having a negative impact on its earnings and financial condition.

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

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

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

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

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

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

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

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



The recent global financial crisis has also raised the possibility of future legislative and regulatory actions that could further impact ZIC and its subsidiaries' business. ZIC and its subsidiaries cannot predict whether or when such actions may occur, or what impact, if any, such actions could have on ZIC and its subsidiaries' business, results of operations and financial condition.

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

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

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

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

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

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

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

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

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

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

Loss reserves are established such that the provision for losses and benefits represents an amount that is believed to be greater than the mathematically expected amount that will be required to ultimately settle all claims incurred as of the fiscal year-end and interim statements. As such the provision makes allowance for identified sensitivities underlying the reserve estimates. These estimates are based on actuarial and statistical projections, at a given time, of facts and circumstances known at that time and estimates of trends in loss severity and other variable factors, including new concepts of liability or other changes in legal

precedents and general economic conditions. Changes in these trends or other variable factors could result in claims in excess of loss reserves.

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

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

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

#### *Biometric Risks*

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

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

#### *Surrenders*

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

#### *Options and guarantees*

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

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

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

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

Variable life insurance products that contain stable value protection features ("**SVPs**") are designed to amortise on a quarterly basis the investment gains and losses of the investment portfolios underlying these contracts, which are owned by banks (Bank Owned Life Insurance or BOLI) and other companies (Company Owned Life Insurance or COLI). Premiums received from policyholders under these policies are invested in separate account portfolios. Throughout the life of the policies, policyholders are entitled, in addition to mortality cover, to the tax-exempt investment returns of such separate account portfolios. The policies are long duration contracts providing charges and benefits over a policy life that can be greater than 45 years. When SVPs form part of these investment portfolios, they reduce the volatility of the policyholders' investment returns. In the event that a policy is surrendered which has a positive SVP value, the policyholder would be entitled to recover such SVP value as well as the market value of the underlying investments. Certain policy features as well as the applicable tax regulations provide disincentives for surrender. The ZIC Group monitors the risk of surrender on an ongoing basis and considers the likelihood of surrender as an input factor to the model to determine the fair value of the SVPs. The fair value of the derivative liability recognised in respect of the SVPs, was nil in each of 31 December 2013 and 2012. The notional SVP derived value was USD 397 million and USD 93 million

as of 31 December 2013 and 2012, respectively, representing the total loss before surrender charges in the unlikely event that all policies would have been surrendered on those dates.

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

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

### ***Competition risks***

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

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

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

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

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

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

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

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

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

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

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

On 25 November 2009 the Directive on Solvency II ("**Solvency II**") was adopted in the European Union. Solvency II aims to reflect the latest developments in prudential supervision, actuarial methods and risk management. It includes economic risk-based solvency requirements, which are more risk sensitive and more sophisticated than Solvency I. Solvency II capital requirements also consider all material risks and their interactions. As part of the risk management system, all EU/EEA insurance and reinsurance entities will be required to conduct their own risk and solvency assessment, including the assessment of the overall solvency needs reflecting their specific risk profiles. As part of the disclosure provisions, companies will have to publicly report their solvency and financial condition. As a result of these new regulations, there is a risk that the effect of the measures finally adopted could be adverse for ZIC and its subsidiaries, including but not limited to potentially requiring a significant increase in the amount of capital required to support its business.

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

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

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

Regarding the insurance sector, the International Association of Insurance Supervisors (the “**IAIS**”), pursuant to the mandate given to IAIS by the Financial Stability Board (the “**FSB**”), in July 2013 published the methodology used to identify systemically relevant insurers as well as policy measures to be applied to them. The initial list of globally systemically important insurers (“**GSII**”)s) was published at that time and included nine insurers. This list will be reviewed and, if necessary, updated on an annual basis, and it is unclear as to whether ZIC, or any of its subsidiaries, would be labelled as GSII by the FSB. Those policy measures include enhanced supervision by the national supervisor, the need to engage in recovery and resolution planning and the application of higher loss absorption measures (i.e. capital) to systemically relevant activities. In addition, the IAIS is working on a project to introduce a common framework for the supervision of internationally active insurance groups – regardless of their status as GSII.

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

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

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

Natural catastrophes include, but are not limited to hurricanes, floods, windstorms, tidal waves, earthquakes, tornadoes, fires, severe hail and severe winter weather, and are inherently unpredictable in terms of both their occurrence and severity.

Catastrophes can also be man-made, such as terrorist attacks, explosions, fires and oil spills. The incidence and severity of these catastrophes in any given period are inherently unpredictable.

### *Deferred tax assets and liabilities*

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

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

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

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

In 2008, the Staff of the U.S. Senate Committee on Finance released a discussion draft (“**Discussion Draft**”) which proposes to disallow deductions for certain reinsurance premiums paid by U.S. property and casualty insurance companies to non-U.S. affiliates of those companies. The Discussion Draft proposal is similar to a measure that was introduced in the U.S. House of Representatives in 2008 and 2009 by Representative Neal. A similar proposal was also contained in President Obama’s Fiscal Year 2015 Revenue Proposals, with some modifications. Recent tax reform discussion drafts released separately by the U.S. Senate and House tax writing committees also reflect such measures. If enacted in any of its present forms, the measure could adversely affect the Zurich Insurance Group and certain of its affiliates by increasing materially their U.S. tax liability. In addition, if the measure were enacted it may be necessary for the Zurich Insurance Group and certain of its affiliates to take steps to alter the manner in which they conduct their business. Whether the measure will be enacted in any of its present forms or in another form cannot be predicted. Moreover, until the terms of any final measure are known, the impact on the Zurich Insurance Group and certain of its affiliates of the measure and any business restructuring in response to such a measure cannot be evaluated.

### *FATCA Withholding*

Certain provisions of U.S. tax law (commonly referred to as “**FATCA**”) impose a 30 per cent U.S. withholding tax on certain “pass-thru” payments by foreign financial institutions. Treasury Regulations provide that the withholding tax will not be imposed on pass-thru payments by foreign financial institutions until after 31 December 2016 at the earliest.

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

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

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

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

Farmers Group, Inc. provides non-claims related insurance management services for the Farmers Insurance Exchange, Fire Insurance Exchange and Truck Insurance Exchange (reciprocal insurers domiciled in California, USA) and their subsidiaries (together, the “**Farmers Exchanges**”) as their attorney-in-fact. Management fees earned by it are based upon the volume of gross

premiums earned by the Farmers Exchanges, whose ability to continue writing insurance is dependent upon, *inter alia*, statutory surplus levels and price competition. Any deterioration in the volume of gross premiums earned by the Farmers Exchanges may therefore affect the level of management fees received by Farmers Group, Inc. for its management services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(B) If a Trigger Event has occurred and is continuing as at the relevant Determination Date, then, in relation to any Interest Payment which is otherwise scheduled to be paid on an Interest Payment Date, ZIC shall cancel the amount by which such Interest Payment exceeds the New Capital Amount per Capital Note outstanding at such time.

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

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

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

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

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

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

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

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

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

#### ***Perpetual Securities***

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

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

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



Upon the occurrence of the events in either of (i) or, if so specified in the applicable Final Terms, (ii) above, the Capital Notes may be substituted for, or their terms varied so that they remain, Qualifying Securities.

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

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

- **Risks related to the market generally**

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

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

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

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

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

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

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

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

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

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

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

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

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

#### ***Modification***

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

#### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC (the "EU Savings Directive") on the taxation of savings income, each EU Member State is required, to provide to the tax authorities of another EU Member State details of payments of interest or other similar income paid by a person established within its jurisdiction to, or secured by such a person for the benefit of, an individual resident or certain limited types of entity established in that other EU Member State; however, for a transitional period, Austria and

Luxembourg are instead required (unless during such period they elect otherwise) to apply a withholding system in relation to such payments, deducting tax at the rate of 35 per cent pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or, introduced in order to conform to, such Directive. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non EU countries to the exchange of information relating to such payments.

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

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

The European Council formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "Amending Directive"). The Amending Directive amends and broadens the scope of the requirements described above. EU Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive, which legislation must apply from 1 January 2017. The changes made under the Amending Directive include expanding the range of payments covered by the EU Savings Directive and extending the scope of the EU Savings Directive to payments made to, or secured for the benefit of, certain other entities and legal arrangements. Luxembourg confirmed that they will endorse the amendment to the EU Savings Directive and will provide the required information on interest payments to the tax authorities of other EU Member States under the automatic information exchange as of 1 January 2015 and will abolish the withholding system.

Switzerland and the European Commission have commenced negotiations on certain amendments to the agreement between the European Community and the Confederation of Switzerland dated as of 26 October 2004 providing for measures equivalent to those laid down in the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements discussed above.

Investors should inform themselves of, and where appropriate take advice on, the impact of the EU Savings Directive, as amended, on their investment.

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

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

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

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

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

On 1 January 2013, treaties on final withholding taxes of Switzerland with the United Kingdom and Austria entered into force (each a “**Contracting State**”). The treaties require a Swiss paying agent, as defined in the treaties, to levy a flat-rate final withholding tax (*Abgeltungssteuer*) at rates specified in the treaties on certain capital gains and income items (interest, dividends, other income items, all as defined in the treaties) deriving from assets, including the Notes or the Capital Notes or the Guarantee, as applicable, held in accounts or deposits with a Swiss paying agent by (i) an individual resident in a Contracting State or, (ii) if certain requirements are met, by a domiciliary company (*Sitzgesellschaft*), an insurance company in connection with a so-called insurance wrapper (*Lebensversicherungsmantel*) or other individuals if the beneficial owner is an individual resident in a Contracting State. The flat-rate tax withheld substitutes the ordinary income tax on the respective capital gains and income items, in the Contracting State where the individual is tax resident. In order to avoid the withholding of the flat-rate tax by the Swiss paying agent, such individuals may opt for a disclosure of the respective capital gains and income items to the tax authorities of the Contracting State where they are tax residents. Switzerland may conclude similar treaties with other European countries. If an amount of, or in respect of, such final withholding tax were to be deducted or withheld from a payment, neither the relevant Issuer, nor the Guarantor nor a paying agent nor any other person would pursuant to the Terms and Conditions of the Notes or the Capital Notes or the Guarantee be obliged to pay additional amounts with respect to any Notes or Capital Note, or interest at a recalculated rate in respect of a Capital Note, as a result of the deduction or imposition of such final withholding tax.

## ***The proposed financial transaction tax (“FTT”)***

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “participating Member States”).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in financial instruments (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under the current European Commission proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in financial instruments where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a participating Member State or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## ***Applicable Law***

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

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

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

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

## INFORMATION INCORPORATED BY REFERENCE

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

- (a) (i) the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of ZIC and its subsidiaries (collectively the "**ZIC Group**") (formerly known as Zurich Insurance Group) in respect of the years ended 2013 and 2012 (the consolidated income statements being set out on page 55 and page 53 respectively, of its 2013 and 2012 annual reports; the consolidated statements of comprehensive income being set out on pages 56 to 57 and 54 to 55 respectively, of its 2013 and 2012 annual reports; the consolidated balance sheets being set out on pages 58 to 59 and 56 to 57 respectively, of its 2013 and 2012 annual reports; the consolidated statements of cash flows being set out on pages 60 to 61 and 58 to 59 respectively, of its 2013 and 2012 annual reports; the consolidated statements of changes in equity being set out on pages 62 to 63 and 60 to 61 respectively, of its 2013 and 2012 annual reports; the notes to the financial statements being set out on pages 64 to 163 and 62 to 165 respectively, of its 2013 and 2012 annual reports; and the auditors' report being set out on pages 164 to 165 and 166 to 167 respectively, of its 2013 and 2012 annual reports); and  
  
(ii) the audited financial statements (including the auditors' report thereon and notes thereto) of ZIC, as included in the annual report mentioned in (i) above, in respect of the years ended 2013 and 2012 (the income statements being set out on page 169 and 171 respectively, of the 2013 and 2012 annual reports; the balance sheets being set out on pages 170 to 171 and 172 to 173 respectively, of the 2013 and 2012 annual reports; the notes to the financial statements being set out on pages 172 to 183 and 174 to 183 respectively, of the 2013 and 2012 annual reports; and the auditors' report being set out on pages 184 to 185 of each of the 2013 and 2012 annual reports).
- (b) the audited financial statements (including the auditors' report thereon and notes thereto) of ZF (UK) in respect of the years ended 2013 and 2012 (the auditors' report being set out on pages 4 to 5 and page 3 respectively, of its 2013 and 2012 annual reports; the profit and loss accounts being set out on pages 6 and 4 respectively, of its 2013 and 2012 annual reports; the balance sheets being set out on pages 7 and 5 respectively, of its 2013 and 2012 annual reports; and the notes to the financial statements being set out on pages 8 to 15 and 6 to 14 respectively, of the 2013 and 2012 annual reports).
- (c) the audited financial statements (including the auditors' report thereon and notes thereto) of ZF (Luxembourg) in respect of the years ended 2013 and 2012 (the auditors' report being set out on pages 4 to 5 of each of its 2013 and 2012 annual reports; the balance sheets being set out on pages 6 to 10 and 6 to 9 respectively, of its 2013 and 2012 annual reports; the profit and loss accounts being set out on pages 11 to 13 and 10 to 11 respectively, of its 2013 and 2012 annual reports; and the notes to the financial statements being set out on pages 14 to 22 and 12 to 19 respectively, of its 2013 and 2012 annual reports).
- (d) the terms and conditions set out on pages 32 to 67 (inclusive) and 68 to 102 (inclusive) of the base prospectus dated 15 May 2012 that was published in connection with the Programme under the headings "Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes" and "Terms and Conditions of the Capital Notes" respectively.
- (e) the terms and conditions set out on pages 31 to 62 (inclusive) and 63 to 96 (inclusive) of the base prospectus dated 17 May 2013 that was published in connection with the Programme under the headings "Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes" and "Terms and Conditions of the Capital Notes" respectively.

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

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

<b>Information</b>	<b>Source</b>
<b>Information incorporated by reference of the ZIC Group</b>	
Consolidated Income Statement for the year ended 31 December 2013 .....	2013 Annual Report page 55
Consolidated Income Statement for the year ended 31 December 2012 .....	2012 Annual Report page 53
Consolidated Statements of Comprehensive Income for the year ended 31 December 2013.....	2013 Annual Report pages 56-57
Consolidated Statements of Comprehensive Income for the year ended 31 December 2012.....	2012 Annual Report pages 54-55
Consolidated Balance Sheet as at 31 December 2013.....	2013 Annual Report pages 58-59
Consolidated Balance Sheet as at 31 December 2012.....	2012 Annual Report pages 56-57
Consolidated Statement of Cash Flows for the year ended 31 December 2013.....	2013 Annual Report pages 60-61
Consolidated Statement of Cash Flows for the year ended 31 December 2012.....	2012 Annual Report pages 58-59
Consolidated Statement of Changes in Equity for the year ended 31 December 2013.....	2013 Annual Report pages 62-63
Consolidated Statement of Changes in Equity for the year ended 31 December 2012.....	2012 Annual Report pages 60-61
Notes to the financial statements for the year ended 31 December 2013 .....	2013 Annual Report pages 64-163
Notes to the financial statements for the year ended 31 December 2012 .....	2012 Annual Report pages 62-165
Auditor's report for the year ended 31 December 2013.....	2013 Annual Report pages 164-165
Auditor's report for the year ended 31 December 2012.....	2012 Annual Report pages 166-167
<b>Information incorporated by reference of Zurich Insurance Company Ltd</b>	
Income Statement for the year ended 31 December 2013 .....	2013 Annual Report page 169
Income Statement for the year ended 31 December 2012 .....	2012 Annual Report page 171
Balance Sheet as at 31 December 2013.....	2013 Annual Report pages 170-171
Balance Sheet as at 31 December 2012.....	2012 Annual Report pages 172-173
Notes to the financial statements for the year ended 31 December 2013 .....	2013 Annual Report pages 172-183
Notes to the financial statements for the year ended 31 December 2012 .....	2012 Annual Report pages 174-183
Auditor's report for the year ended 31 December 2013.....	2013 Annual Report pages 184-185
Auditor's report for the year ended 31 December 2012.....	2012 Annual Report pages 184-185
<b>Information incorporated by reference of Zurich Finance (UK) plc</b>	
Auditor's report for the year ended 31 December 2013.....	2013 Annual Report pages 4-5
Auditor's report for the year ended 31 December 2012.....	2012 Annual Report page 3
Profit and Loss Accounts for the year ended 31 December 2013 .....	2013 Annual Report page 6
Profit and Loss Accounts for the year ended 31 December 2012 .....	2012 Annual Report page 4
Balance Sheet as at 31 December 2013.....	2013 Annual Report page 7
Balance Sheet as at 31 December 2012.....	2012 Annual Report page 5
Notes to the financial statements for the year ended 31 December 2013 .....	2013 Annual Report pages 8-15
Notes to the financial statements for the year ended 31 December 2012 .....	2012 Annual Report pages 6-14

<b>Information incorporated by reference of Zurich Finance (Luxembourg) S.A.</b>	
Auditor's report for the year ended 31 December 2013.....	2013 Annual Report pages 4-5
Auditor's report for the year ended 31 December 2012.....	2012 Annual Report pages 4-5
Balance Sheet as at 31 December 2013.....	2013 Annual Report pages 6-10
Balance Sheet as at 31 December 2012.....	2012 Annual Report page 6-9
Profit and Loss Accounts for the year ended 31 December 2013 .....	2013 Annual Report pages 11-13
Profit and Loss Accounts for the year ended 31 December 2012 .....	2012 Annual Report page 10-11
Notes to the financial statements for the year ended 31 December 2013 .....	2013 Annual Report pages 14-22
Notes to the financial statements for the year ended 31 December 2012 .....	2012 Annual Report pages 12-19

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

<b>Information incorporated by reference from 2013 Zurich EMTN Base Prospectus</b>	
Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes .....	2013 Zurich EMTN Base Prospectus pages 31-62
Terms and Conditions of the Capital Notes .....	2013 Zurich EMTN Base Prospectus pages 63-96

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

This Base Prospectus applies to issues of Notes made on and after 19 May 2014. If the terms of the Programme are modified in a manner which would make this Base Prospectus, as supplemented, inaccurate or misleading, a new Base Prospectus will be prepared in replacement for this Base Prospectus.

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

## GENERAL DESCRIPTION OF THE PROGRAMME

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

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

### Dealers:

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

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

### Agent:

Citibank, N.A.

### Luxembourg Listing Agent:

Banque Internationale à Luxembourg

### Size:

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

### Distribution:

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

### Currencies:

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

### Maturities:

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

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the relevant Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses

or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (“**FSMA**”) by the relevant Issuer.

**Issue Price:**

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

**Form of Notes:**

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

**Fixed Rate Notes:**

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

**Floating Rate Notes:**

Floating Rate Notes will bear interest at a rate determined:

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

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

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

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

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

**Zero Coupon Notes:**

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

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

Interest shall be payable on Subordinated Notes on such date or dates as may be agreed with the relevant Dealer (as indicated in the applicable Final Terms), subject to the provisions relating to the optional deferral of interest payments or Solvency Deferral set out under Condition 4 of the Terms and Conditions of the



Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes.

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

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

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

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

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

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

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

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

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

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

The Optional Redemption Amount payable in respect of any Note of the Specified Denomination on any Optional Redemption Date and, except in the case of Undated Subordinated Notes, the Final Redemption Amount payable in respect of any Note of the Specified Denomination on any Maturity Date (subject to the occurrence of a Solvency Event which has occurred and is continuing on the Maturity Date or which would occur as a result of the relevant redemption) will in all circumstances be an amount equal to or greater than the Specified Denomination of such Note.

**Redemption of the Capital Notes:**

The Capital Notes are either Dated Capital Notes or Undated Capital Notes. Undated Capital Notes are perpetual securities in respect of which there is no fixed maturity date and they are redeemable or repayable only in accordance with the provisions of Conditions 6 and 9 of the Terms and Conditions of the Capital Notes. In all cases, ZIC may only redeem, substitute or vary the Capital Notes if FINMA

has given and has not subsequently withdrawn its consent to the redemption, substitution or variation as appropriate, to the extent that such consent is required. The Dated Capital Notes may be redeemed upon maturity provided that, if so specified in the applicable Final Terms, if a Solvency Event has occurred and is continuing on the Maturity Date or would occur as a result of the relevant redemption, the Dated Capital Notes shall not be redeemed, unless the prior written approval of FINMA or any Successor Authority for such payment has been given. Furthermore, the Capital Notes may be redeemed (i) for taxation reasons or (ii), if so specified in the applicable Final Terms, on the occurrence of any of an Accounting Event, a Capital Event or a Regulatory Event pursuant to Condition 6.

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

The Capital Notes may also be redeemed by the Issuer on any Optional Redemption Date in whole or in part at the Optional Redemption Amounts specified in the applicable Final Terms, in accordance with Condition 6(d) of the Terms and Conditions of the Capital Notes.

The Optional Redemption Amount payable in respect of any Note of the Specified Denomination on any Optional Redemption Date and, in the case of Dated Capital Notes, the Final Redemption Amount payable in respect of any Note of the Specified Denomination upon the Maturity Date of such Dated Capital Notes (subject to the occurrence of a Solvency Event which has occurred and is continuing on the Maturity Date or which would occur as a result of the relevant redemption) will in all circumstances be an amount equal to or greater than the Specified Denomination of such Note.

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

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

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

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

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

#### **Taxation:**

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

All payments on Notes issued by each of ZF (Luxembourg) and ZF (UK) will be made without deduction for or on account of withholding tax imposed by Luxembourg and Switzerland (in the case of Notes issued by ZF (Luxembourg)), the United Kingdom and Switzerland (in the case of Notes issued by ZF (UK)) or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) unless such withholding is required by law and/or by agreement of the relevant Issuer or the Guarantor. Subject to a number of exceptions set out in Condition 7 of the relevant Conditions, if such withholding is required, the relevant Issuer will generally be required to pay such additional

amounts as will result in the receipt by the Noteholders of such amounts as they would have received had no such withholding been required.

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

**Negative Pledge:**

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

**Cross Default:**

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

**Status of the Notes:**

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

**Senior Notes:**

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

**Subordinated Notes:**

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

**Capital Notes:**

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

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

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

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

**Guarantees by ZIC:**

Each Tranche of Senior Notes issued by ZF (Luxembourg) or ZF (UK) will be unconditionally and irrevocably guaranteed by ZIC (each such guarantee, a

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

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

**Prescription:**

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

**Listing and Admission to Trading:**

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

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

**Governing Law:**

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

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

**Selling Restrictions:**

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

## FORM OF THE NOTES AND THE CAPITAL NOTES

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

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

Registered Notes will not be exchangeable for Bearer Notes.

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

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

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

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

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

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

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

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

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

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

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

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

or Reg. S Global Note and the Trust Deed (and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly).

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

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

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

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

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

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

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

This Note is one of a Series (as defined below) of Notes issued by Zurich Finance (Luxembourg) S.A. (“**ZF (Luxembourg)**”), Zurich Finance (UK) plc (“**ZF (UK)**”) or Zurich Insurance Company Ltd (“**ZIC**”) and, together with ZF (Luxembourg) and ZF (UK), the “**Issuers**” and each an “**Issuer**”) and references in these Terms and Conditions to the “**relevant Issuer**” shall be to the issuer of the Notes named in the applicable Final Terms (as defined below), constituted by an amended and restated trust deed (as further modified and/or supplemented and/or restated from time to time, the “**Trust Deed**”) dated 19 May 2014 made between the Issuers, Zurich Insurance Group Ltd (“**ZIG**”) and Citicorp Trustee Company Limited (the “**Trustee**”, which expression shall include any successor as trustee).

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

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

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

The Notes and the Coupons (as defined below) are the subject of an amended and restated agency agreement (the “**Agency Agreement**” which expression shall, where the context permits, include any supplements or amendments thereto and any agency agreement relating to Listed Swiss Franc Notes as referred to in Condition 5(e)) dated 19 May 2014 and made between the Issuers, Citibank, N.A. as issuing and principal paying agent and agent bank (the “**Agent**”, which expression shall include any successor agent specified in the applicable Final Terms), the other paying agents named therein (together with the Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents), Banque Internationale à Luxembourg (the “**Luxembourg Listing Agent**”), the registrars named therein (each, a “**Registrar**”, which expression shall include any additional or successor registrar), the transfer agents named therein (the “**Transfer Agents**”, which expression shall include any additional or successor transfer agents) and the Trustee.

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

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

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

Copies of the Trust Deed, the Agency Agreement, any applicable Senior ZIC Guarantee (as defined below), any applicable Subordinated ZIC Guarantee (as defined below) and the applicable Final Terms are available for inspection during normal



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

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

## 1. Form, Denomination and Title

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

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

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

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

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

notice period as is specified in the applicable Final Terms), in each case against certification to the effect that the beneficial owner of interests in such Temporary Global Note is not a U.S. person or a person who has purchased for resale to any U.S. person, as required by U.S. Treasury regulations. Each Tranche of Bearer Notes may also be initially represented by a Permanent Global SIS Note (as defined in the Trust Deed). Unless otherwise specified in the applicable Final Terms, a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, Coupons and Talons attached (i) if an Event of Default (as defined in Condition 9) occurs in respect of any Note, (ii) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (weekends and public holidays excepted) or announces an intention to cease business permanently or in fact does so and no alternative clearing system satisfactory to the Trustee is available or (iii), if so specified in the applicable Final Terms, at the option of the Noteholder, provided that, in the case of an issue of Notes with a minimum denomination of EUR 100,000 (or the equivalent thereof in the currency in which such issue of Notes is denominated as determined on the date of issue of such Notes) and smaller integral multiples thereof only exchange events (i) or (ii) above will apply.

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

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

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

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

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

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

References in these Terms and Conditions to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system (including SIS) approved by the relevant Issuer, the Trustee and the Agent and specified in the applicable Final Terms.

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

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

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

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

### **(b) Subordinated Notes**

This Condition 2(b) is only applicable to dated subordinated notes (“**Dated Subordinated Notes**”) and undated subordinated notes (“**Undated Subordinated Notes**”) issued by the relevant Issuer. Dated Subordinated Notes and Undated Subordinated

Notes are together referred to as “**Subordinated Notes**”. The provisions of this Condition 2(b) are subject to Condition 2(c) below.

### (c) Ranking on a winding-up

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

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

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

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

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

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

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

- (a) *pari passu with the obligations of ZIC in respect of its €425m 7.5 per cent Subordinated Notes due 2039 and its €1,000m 4.25 per cent Subordinated Notes due 2043 and in respect of its guarantee of the €269m 4.5 per cent Subordinated Notes due 2025, the £450m 6.625 per cent Undated Subordinated Notes, the CHF700m 4.25 per cent Undated Subordinated Notes, the CHF500m 4.625 per cent Undated Subordinated Notes and any future Subordinated Notes issued by ZIC; and*
- (b) *senior to the obligations of ZIC in respect of its subordinated support agreements entered into in connection with the enhanced capital advantaged preferred securities (ECAPS) issued by ZFS Finance (USA) Trust II and the Trust Preferred Securities issued by ZFS Finance (USA) Trust V and its obligations under the €143m 12 per cent Capital Notes, the U.S.\$500m 8.250 per cent Undated Reset Capital Notes and any future Capital Notes.*

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

### (a) Senior ZIC Guarantee

Where the relevant Issuer is ZF (Luxembourg) or ZF (UK), the payment of principal and interest in respect of Senior Notes (together with any additional amounts payable under Condition 7 and all other moneys payable under the Trust Deed) up to a specified maximum amount has been unconditionally and irrevocably guaranteed by ZIC pursuant to a guarantee agreement dated the issue date of the relevant Tranche of Notes (the “**Senior ZIC Guarantee**”). Each Senior ZIC Guarantee provides that the Guarantor will within seven days of receipt by it of notice from the Trustee confirming that a payment referred to in the preceding sentence has become due and remains unpaid make such payment, provided that such notice from the Trustee shall, however, not be submitted to the Guarantor before seven days have passed since the due date on which such amount due under the relevant Tranche of Notes or the Trust Deed should have been paid. The Senior ZIC Guarantee, which is governed by Swiss law, is limited to a maximum amount stated in the relevant Senior ZIC Guarantee. The obligations of ZIC under the Senior ZIC Guarantee in

respect of unsubordinated Notes constitute direct, unconditional, unsubordinated and unsecured obligations of ZIC and (subject as aforesaid) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of ZIC, present and future, save for statutorily preferred exceptions, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. No Noteholder or Couponholder will be entitled to proceed directly against ZIC unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

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

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

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

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

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

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

### **4. Interest**

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

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

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

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

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

- (i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:
  - (a) where the relevant period (from and including the first day to but excluding the last day) is equal to or shorter than the Regular Period during which it falls, the actual number of days in the relevant period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and

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

“**Regular Period**” means:

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

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

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

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

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

If for any reason the Swap Rate Determination Agent at any time after the Issue Date defaults in its obligation to determine the Specified Mid Swap Rate, the Trustee shall determine the Specified Mid Swap Rate at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any minimum or maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances and any such determination shall be deemed to have been made by the Swap Rate Determination Agent.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(a), whether by the Swap Rate Determination Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee, the Agent, the Swap Rate Determination Agent, the other Paying Agents, the Registrar and any

Transfer Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Noteholders or the Couponholders shall attach to the Agent, the Trustee or the Swap Rate Determination Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

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

*(i) Interest Payment Dates*

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

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

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

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

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

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

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

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

*(ii) Rate of Interest*

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

- (A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA

2006 Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “**ISDA Definitions**”) and under which:

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

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

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

(B) Screen Rate Determination for Floating Rate Notes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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



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

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

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

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

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

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

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

*(vi) Determination or Calculation by Trustee*

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

*(vii) Certificates to be Final*

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

**(c) Accrual of Interest**

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

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

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

*(i) Optional deferral of interest*

If so specified in the applicable Final Terms, there may be paid, on each Optional Interest Payment Date, interest accrued in respect of the Interest Period which ends on such Optional Interest Payment Date but the relevant Issuer shall have the option to defer payment of interest on the Notes which would otherwise be payable on such date. If so specified in the applicable Final Terms, notwithstanding the other provisions of this Condition 4(d)(i) but without prejudice to the provisions of Condition 4(d)(ii), if as at any Optional Interest Payment Date FINMA or any Successor Authority no longer accords any regulatory capital credit to the Notes under the Applicable Regulations (as defined below), the relevant Issuer will only be allowed to exercise its option

under this Condition 4(d)(i) to defer payment of interest on the Notes on such Optional Interest Payment Date for a period of up to five years (a “**Fixed Term Deferred Interest Payment**”). The deferral of any interest payment on any Optional Interest Payment Date in accordance with this Condition 4(d)(i) will not constitute an Event of Default by the relevant Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes or make a demand under the relevant Subordinated ZIC Guarantee. The relevant Issuer, failing whom, the Guarantor, shall notify the Trustee and the Noteholders, immediately as soon as it becomes aware that an Interest Payment Date will be an Optional Interest Payment Date in respect of which payment is deferred of the amount of such payment otherwise due on that date and the grounds upon which such deferral has been made. The relevant Issuer may defer paying interest on each Optional Interest Payment Date until the Notes become due and payable as described in Condition 4(d)(iii).

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

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

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

(ii) *Solvency Deferral of Interest*

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

As used herein:

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

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

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

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

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

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

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

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

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

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

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

(iii) *Arrears of Interest*

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

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

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

## 5. Payments

### (a) Method of Payment

Subject as provided below:

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

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

### (b) Presentation of Notes and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 5(a) above only against presentation and surrender (or, in the case of part payment only, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment only, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the U.S. (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

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

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

Upon the date on which any Floating Rate Note or Long Maturity Note (as defined below) in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. Where any such Definitive Bearer

Note is presented for redemption without all unmatured Coupons or Talons relating to it, redemption shall be made only against the provision of such indemnity as the relevant Issuer may require. A “Long Maturity Note” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Definitive Bearer Note shall cease to be a Long Maturity Note on the Fixed Interest Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

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

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

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

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

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

Payments of principal in respect of Registered Notes (whether in individual or global form) will be made in the manner provided in Condition 5(a), above against presentation and surrender (or, in the case of part payment of any sum due only, endorsement) of such Registered Global Note or Individual Registered Notes at the specified office of the Registrar or at the specified office of any Paying Agent. Payments of interest due on a Registered Note will be made to the person in whose name such Note is registered (i) where in global form, at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Days means Monday to Friday inclusive except 25 December and 1 January, and (ii) where in individual form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day (being for the purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) (the “**Record Date**”)). In the case of payments by cheque, cheques will be mailed to the holder (or the first named of joint holders) at such holder’s registered address on the due date. If payment is required by credit or transfer as referred to in Condition 5(a) above, application for such payment must be made by the holder to the Registrar not later than the relevant Record Date.

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

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

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

place of presentation, any Additional Business Centre) or (2) in relation to Notes denominated or payable in euro, a day on which the TARGET system is operating.

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

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

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

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

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

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

#### **(f) Definition**

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

### **6. Redemption and Purchase**

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

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

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the relevant Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date provided that, in the case of Dated Subordinated Notes if so specified in the applicable Final Terms, if a Solvency Event has occurred and is continuing on the Maturity Date or would occur as a result of the relevant redemption, the Dated Subordinated Notes shall not be redeemed unless the prior written approval of FINMA or any Successor Authority for such payment has been given. If a Solvency Event has occurred and is continuing on the Maturity Date and no prior written approval as aforesaid has been given, each Dated Subordinated Note will be redeemed by the relevant Issuer promptly following either the obtaining of such written approval or no Solvency Event continuing (including, following the relevant redemption) and the giving of not more than 30 nor less than 15 days’ notice to such effect by the relevant Issuer to the Trustee and to Noteholders in accordance with Condition 13. References herein to “**Maturity Date**” shall be construed accordingly to refer to such later date of redemption and, for the avoidance of doubt, interest shall continue to accrue (without compounding) as provided in Condition 4 on any such Dated Subordinated Note until such later date of redemption.

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

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

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

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

### (c) Redemption for Tax Reasons

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

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

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

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

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

### (d) Redemption for Other Reasons

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

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

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

As used herein:

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

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

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

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

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

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

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

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

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

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

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

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

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

(which notices shall be irrevocable), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (**“Redeemed Notes”**) will be



selected individually by lot in a manner approved by the Trustee, in the case of Redeemed Notes represented by Definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “**Selection Date**”). In the case of Redeemed Notes represented by Definitive Bearer Notes or Individual Registered Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by Definitive Bearer Notes or Individual Registered Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of Definitive Bearer Notes or Individual Registered Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this Condition 6(e) and notice to that effect shall be given by the relevant Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

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

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

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

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

As used herein, “**Qualifying Securities**” means securities:

- (a) having terms (including terms providing for deferral and/or cancellation of payment of interest and/or principal) that are not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the relevant Issuer after consulting an independent investment bank of international standing, and provided that a certification to such effect of two Authorised Officers of the relevant Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities); and
- (b) issued by the relevant Issuer or issued by another member of the Zurich Insurance Group with a guarantee by the relevant Issuer and, as appropriate, Guarantor, such that investors have the same material rights and claims as provided by the Notes (as reasonably determined by the relevant Issuer, and provided that a certification to such effect of two Authorised Officers shall have been delivered to the Trustee prior to the issue of the relevant securities); and
- (c) ranking at least equal to the Notes and featuring the same principal amount, interest rate (including applicable margins and step-up), Interest Payment Dates and Optional Redemption Dates as the Notes; and
- (d) containing terms which preserve the obligations (including the obligations arising from the exercise of any right) of the relevant Issuer as to redemption of the Notes, including (without limitation) as to timing of and amounts payable on, such redemption; and
- (e) which do not contain any terms providing for loss absorption through principal write-down or conversion to ordinary shares, unless the triggers are objective and measurable; and
- (f) which benefit from a guarantee from ZIC which is subordinated on the same basis, and to the same extent, as the Subordinated ZIC Guarantee in circumstances where the Notes benefitted from the Subordinated ZIC Guarantee; and
- (g) listed on an internationally recognised stock exchange, if the Notes were listed prior to such substitution or variation.

In addition, any substitution or variation is subject to (A) all interest amounts, including Arrears of Interest, and any other amount payable under the Notes which, in each case has accrued to Noteholders and has not been paid, being satisfied in full on or prior to the date thereof; (B) compliance with Condition 6(l); (C) the substitution or variation not itself giving rise to a change in any published rating of the Notes in effect at such time as confirmed in writing by the rating organisations who have given such

published rating of the Notes previously; (D) the substitution or variation not triggering the right on the part of the relevant Issuer to redeem the Notes pursuant to Condition 6(c) or 6(d); and (E) certification by two Authorised Officers of the relevant Issuer that the securities in question are “**Qualifying Securities**” in accordance with the definition set out above and that the conditions set out herein have been complied with, which such certificate shall be delivered to the Trustee prior to the substitution or variation of the relevant securities and upon which certificate the Trustee shall be entitled to rely absolutely without liability to any person.

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

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

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

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

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

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

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

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

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

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the “**Amortised Face Amount**”) equal to the sum of:
  - (a) the Reference Price specified in the applicable Final Terms; and
  - (b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made on the basis of a 360 day year consisting of 12 months of 30 days each or such other calculation basis as may be specified in the applicable Final Terms.

### **(i) Purchases**

The relevant Issuer, ZIC (where ZIC is not the relevant Issuer) or any of ZIC's Subsidiaries (as such term is defined in the Trust Deed) may subject to Condition 6(l), in the case of Restricted Notes subject to Condition 10(l), at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, resold or, at the option of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer), surrendered to any Paying Agent or the Registrar for cancellation.

### **(j) Cancellation**

All Notes which are redeemed or purchased and surrendered for cancellation will forthwith be cancelled (together, in the case of Definitive Bearer Notes, with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled (together in the case of Definitive Bearer Notes with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

### **(k) Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6(a), (c), (d), (e) or (g) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6(h)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13.

### **(l) Condition to redemption, substitution or variation of Subordinated Notes**

Any redemption, substitution, variation of the terms or purchase of Subordinated Notes in accordance with Condition 6(c), (d), (e), (f) or (i) is subject to the relevant Issuer obtaining the prior written consent of FINMA or any Successor Authority thereto provided that such consent is required at that time under applicable capital or solvency regulations to be obtained.

## **7. Taxation**

### **(a) Notes issued by ZF (Luxembourg) or ZF (UK)**

In the case of Notes issued by ZF (Luxembourg) or ZF (UK), all payments under the Trust Deed, the Notes and the Coupons will be made without withholding or deduction for or on account of any taxes or duties of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") unless such withholding or deduction is required by law and/or by agreement of the relevant Issuer or the Guarantor, as the case may be. In such event, ZF (Luxembourg) or ZF (UK), as the case may be, will pay such additional amounts ("Additional Amounts") as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Note or Coupon presented for payment:

- (i) in Luxembourg, in the case of Notes issued by ZF (Luxembourg);
- (ii) by or on behalf of a Noteholder or Couponholder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the United Kingdom (in the case of ZF (UK)) or Luxembourg (in the case of ZF (Luxembourg)) or Switzerland (in the case of payments made by ZIC) other than the mere holding of such Note or Coupon;
- (iii) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such thirtieth day;
- (iv) in respect of any U.S. federal withholding tax that is imposed, assessed, levied or collected by reason of Section 1471 through 1474 of the Code (or any regulations promulgated thereunder or administrative interpretations thereof or agreement with any Relevant Jurisdiction or the U.S. relating thereto);
- (v) where such withholding or deduction is imposed on a payment to an individual or a residual entity and (x) is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or, introduced in order to conform to, such Directive or (y) is required to be made pursuant to any

agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the European Council Directive 2003/48/EC, including, but not limited to, the agreement between the European Community and the Confederation of Switzerland dated as of 26 October 2004, or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements or (z) is required to be made on a payment to an individual resident in Luxembourg in accordance with the provisions of the Luxembourg law dated 23 December 2005 introducing a withholding tax on interest paid to such Luxembourg resident individual;

- (vi) where such withholding or deduction is imposed on a payment and is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation proposed by the Swiss Federal Council on 24 August 2011, in particular the principle to have a person other than the Issuer withhold or deduct the tax, including, without limitation, any paying agent;
- (vii) where such withholding or deduction is required to be made pursuant to any agreements between Switzerland and other countries on final withholding taxes (*internationale Quellensteuern*) levied by a paying agent in respect of an individual resident in the other country on interest or capital gain paid, or credited to an account, relating to a Note; or
- (viii) by or on behalf of a Noteholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member state of the EU.

As used herein, the “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

#### **(b) Notes issued by ZIC**

In the case of Notes issued by ZIC, all payments of principal and interest in respect of the Notes and Coupons issued by ZIC will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction or any political subdivision thereof or any authority therein or thereof having power to tax or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) unless such withholding or deduction is required by law and/or by agreement of the Issuer or the Guarantor, as the case may be. In the event that ZIC or any person acting on its behalf is required by law to make any such withholding or deduction, ZIC will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (i) if Notes other than Restricted Notes are issued;
- (ii) presented for payment by or on behalf of a Noteholder or Couponholder which is liable to such taxes, duties, assessments or governmental charges in respect of that Note or Coupon by reason of it having some connection with the Relevant Jurisdiction other than the mere holding of that Note or Coupon;
- (iii) in respect of any U.S. federal withholding tax that is imposed, assessed, levied or collected by reason of Section 1471 through 1474 of the Code (or any regulations promulgated thereunder or administrative interpretations thereof or agreement with any Relevant Jurisdiction or the U.S. relating thereto);
- (iv) presented for payment more than 30 days after the Relevant Date (as defined in Condition 7(a) above), except to the extent that the relevant holder would have been entitled to payment of an additional amount or recalculated interest if it had presented its Note or Coupon for payment on the 30th day after the Relevant Date, on the assumption if such is not the case, that such last day is a Business Day;
- (v) where such withholding or deduction is imposed on a payment to an individual or a residual entity and (y) is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or (z) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the European Council Directive 2003/48/EC, including, but not limited to, the agreement between the European Community and the Confederation of Switzerland dated as of 26 October 2004, or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements;
- (vi) where such withholding or deduction is imposed on a payment and is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation proposed by the Swiss Federal Council on 24 August 2011, in particular the principle to have a person other than the Issuer withhold or deduct the tax, including, without limitation, any paying agent;

- (vii) where such withholding or deduction is required to be made pursuant to any agreements between Switzerland and other countries on final withholding taxes (*internationale Quellensteuern*) levied by a paying agent in respect of an individual resident in the other country on interest or capital gain paid, or credited to an account, relating to a Note;
- (viii) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note or Coupon to a Paying Agent in another Member State of the European Union;
- (ix) (if so specified in the applicable Final Terms) if the payment could have been made to the relevant Noteholder or Couponholder without such withholding or deduction if it were a Qualifying Lender (as defined below), but on that date that Noteholder or Couponholder is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Noteholder or Couponholder under these Conditions in (or in the interpretation, administration, or application of) any law or double taxation treaty, or any published practice or concession of any relevant taxing authority; or
- (x) if the payment could have been made without such withholding or deduction if the Noteholders had complied with Conditions 10(j) and 10(k) (if Condition 10(j) is expressed in the applicable Final Terms to apply).

As used in the Conditions:

**“Guidelines”** means, together, the guideline “Interbank Loans” of 22 September 1986 (S-02.123) (*Merkblatt “Verrechnungssteuer auf Zinsen von Bankguthaben, deren Gläubiger Banken sind (Interbankguthaben)” vom 22. September 1986*); the guideline “Bonds” of April 1999 (S 02.122.1) (*Merkblatt “Obligationen” vom April 1999*); the guideline “Syndicated Loans” of January 2000 (S-02.128) (*Merkblatt “Steuerliche Behandlung von Konsortialdarlehen, Schuldscheindarlehen, Wechseln und Unterbeteiligungen” vom Januar 2000*); the circular letter No. 15 (1-015-DVS-2007) of 7 February 2007 in relation to bonds and derivative financial instruments as subject matter of Swiss federal income tax, Swiss federal withholding tax and Swiss federal stamp taxes (*Kreisschreiben Nr. 15 “Obligationen und derivative Finanzinstrumente als Gegenstand der direkten Bundessteuer, der Verrechnungssteuer und der Stempelabgaben” vom 7. Februar 2007*) and the circular letter “Deposits” of 26 July 2011 (1-034-V-2011) (*Kreisschreiben Kundenguthaben vom 26. Juli 2011*), each as issued, and as amended from time to time, by the Swiss federal tax authorities.

**“Non-Bank Rules”** means the Ten Non-Bank Rule and the Twenty Non-Bank Rule (each as defined below).

**“Permitted Non-Qualifying Lender”** means in respect of a Series of Restricted Notes a person or entity which is not a Qualifying Bank on the date it becomes a Noteholder and:

- (i) is initially a Permitted Non-Qualifying Lender (if any) specified in the applicable Final Terms (for so long as that Permitted Non-Qualifying Lender continues to be a Noteholder in accordance with the Conditions), or
- (ii) is a successor of an initial Permitted Non-Qualifying Lender, or any subsequent successor thereof, by way of Transfer (as defined in Condition 10(j)) of all but not some only of the Restricted Notes held by such initial Permitted Non-Qualifying Lender, or such subsequent successor thereof (for so long as that successor continues to be a Noteholder in accordance with the Conditions), which:
  - (a) has prior to its becoming a Noteholder, satisfied all obligations to be fulfilled by a proposed Permitted Non-Qualifying Lender in accordance with Condition 10(j), provided that:
    - (A) within ten (10) Business Days of notification to it by the existing Permitted Non-Qualifying Lender of the identity of such proposed Permitted Non-Qualifying Lender, the Issuer may, as a condition precedent to such proposed Permitted Non-Qualifying Lender becoming a Noteholder:
      - (i) request from that proposed Permitted Non-Qualifying Lender a confirmation that it has disclosed to the Issuer all facts relevant to the determination as to whether it would be a Permitted Non-Qualifying Lender and would constitute one (1) person only for purposes of the Non-Bank Rules; and
      - (ii) irrespective of whether a request is made in accordance with paragraph (a)(A)(i) above, request from that proposed Permitted Non-Qualifying Lender a tax ruling of the Swiss Federal Tax Administration (at the cost of the existing Permitted Non-Qualifying Lender or the proposed Permitted Non-Qualifying Lender), confirming to the Issuer’s satisfaction that such proposed Permitted Non-Qualifying Lender does constitute one (1) person only for purposes of the Non-Bank Rules; and
    - (B) the Issuer, acting reasonably, shall confirm within ten (10) Business Days of notification of all facts (if a request in accordance with paragraph (a)(A)(i) above has been made) or receipt of a tax ruling (if a request in accordance with paragraph (a)(A)(ii) above has been made) whether or not such disclosure, or such tax ruling, as the case may be, is satisfactory and, in the absence of such confirmation, the Issuer shall be deemed to have confirmed such

disclosure, or such tax ruling, as the case may be, is so satisfactory on the tenth (10th) Business Day after receipt hereof or thereof; and

- (b) has, simultaneously with becoming a Noteholder, succeeded the existing Permitted Non-Qualifying Lender as “Permitted Non-Qualifying Lender” under all, but not some only, Restricted Notes of the respective Series, and under any and all other existing or future Series of Restricted Notes, as the case may be, or similar instruments, between the issuer and the existing Permitted Non-Qualifying Lender (or any successor thereof).

“**Permitted Non-Qualifying Lenders**” means in respect of a Series of Restricted Notes the number of Permitted Non-Qualifying Lenders specified in the applicable Final Terms.

“**Qualifying Bank**” means a person or entity which (a) effectively conducts banking activities with its own infrastructure and staff as its principal business purpose and which has a banking licence in full force and effect issued in accordance with the banking laws in force in its jurisdiction of incorporation, or if acting through a branch, issued in accordance with the banking laws in the jurisdiction of such branch and (b) is organised under the laws of a country which is a member of the Organisation for Economic Co-operation and Development (OECD).

“**Qualifying Lender**” means a Noteholder which is a Qualifying Bank or a Permitted Non-Qualifying Lender.

“**Restricted Notes**” means Notes issued by ZIC in accordance with Conditions 10(j) and 10(k).

“**Ten Non-Bank Rule**” means the rule that the aggregate number of Noteholders under a Series of Restricted Notes which are not Qualifying Banks must not at any time exceed ten, in each case in accordance with the meaning of the Guidelines.

“**Twenty Non-Bank Rule**” means the rule that the aggregate number of the Issuer’s lenders (including Noteholders), other than Qualifying Banks, under all outstanding debts relevant for classification as debenture (*Kassenobligation*), such as intra-Group loans, facilities and/or private placements (including under Restricted Notes and Notes not classified as a taxable bond (*Anleihensobligation*)) must not at any time exceed twenty, in each case in accordance with the meaning of the Guidelines.

*Under existing law, ZIC is obliged to withhold the Swiss federal withholding tax on any payment of interest in respect of a Note at the current rate of 35 per cent. On 24 August 2011 the Swiss Federal Council issued draft legislation, which, if enacted, would remove such obligation entirely. Instead, the obligation would be imposed on any paying agent in Switzerland (as defined in the proposed new law) but only if the payment of interest in respect of a Note were made to an individual resident in Switzerland or to any person (not only individual) resident outside Switzerland. In all other cases no withholding obligation would arise under the proposed new law.*

## 8. Prescription

The Notes and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

## 9. Events of Default

### (a) Senior Notes

This Condition 9(a) is only applicable to Senior Notes.

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders shall (subject, in the case of the happening of any of the events set out in Conditions 9(a)(ii), (iii), (v), (vi), (vii), (ix) and (x) (to the extent that it applies to Conditions 9(a)(v), (vi), (vii) and (x)) below, to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases to the Trustee having been indemnified and/or secured to its satisfaction), give notice (the “**default notice**”) in writing to the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) that the Notes are immediately due and repayable if any of the following events (“**Events of Default**”) shall have occurred and be continuing:

- (i) there is a failure by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) to pay principal or interest on any of the Notes when due and such failure continues for a period of fourteen days; or
- (ii) a default is made by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) in the performance or observance of any other covenant, condition or provision contained in the Trust Deed or in the Notes and on its part to be performed or observed (other than the covenant to pay principal and interest in respect of any of the Notes) and (except where the Trustee

certifies in writing that, in its opinion, such default is not capable of remedy, when no such notice as mentioned below shall be required) such default continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the relevant Issuer or ZIC, as the case may be, of notice requiring such default to be remedied; or

- (iii) if any other indebtedness of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) for borrowed moneys is declared due and payable prior to the due date for payment thereof by reason of default on the part of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer), or if any such indebtedness is not repaid on the due date for payment thereof (or by the expiry of any applicable grace period), or any guarantee or indemnity in respect of indebtedness for borrowed moneys given by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) is not honoured when due and called upon or at the expiry of any applicable grace period, save in any such case where the relevant payment liability is being contested in good faith and by appropriate means, provided that no such event as aforesaid shall constitute an Event of Default unless the amount declared due and payable or not paid, either alone or when aggregated with other such amounts then declared due and payable or not paid by such Issuer or ZIC (where ZIC is not the relevant Issuer), shall amount to at least USD300,000,000 or its equivalent in other currencies; or
- (iv) a resolution is passed or an order of a court of competent jurisdiction is made that the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) be wound up or dissolved or the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) stops payment or ceases business, or disposes (other than in the ordinary course of its business) of the whole or substantially the whole of its assets, otherwise than in any such case for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or as a result of a Permitted Reorganisation; or
- (v) an encumbrancer or a person with similar functions appointed for execution (in Switzerland, a *Sachwalter* or *Konkursverwalter*) takes possession or a receiver is appointed of the whole or substantially the whole of the assets or undertaking of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) or a distress, execution or seizure before judgment is levied or enforced upon or sued out against any substantial part of the property, assets or revenues of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) unless discharged, stayed or removed within 60 days thereof (or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned) or being contested in good faith and by appropriate means; or
- (vi) the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) is insolvent or bankrupt or unable to pay its debts as and when they fall due or the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) shall initiate or consent or become subject to proceedings relating to itself under any applicable bankruptcy, liquidation, insolvency, composition, *Nachlassvertrag*, *faillite*, administration, examinership, or insolvency law or make a general assignment for the benefit of, or enter into any composition with, its creditors or notifies the court of its financial situation in accordance with Article 725(2) of the Swiss Code of Obligations or enters into a moratorium (*Stundung*); or
- (vii) proceedings shall have been initiated against the relevant Issuer or ZIC (where ZIC is not the relevant Issuer), under any applicable bankruptcy, composition, administration or insolvency law in respect of a sum claimed in aggregate of at least USD200,000,000 or its equivalent in other currencies unless such proceedings are discharged or stayed within a period of 60 days (or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned) or are being contested in good faith and by appropriate means; or
- (viii) if the relevant Issuer is ZF (Luxembourg) or ZF (UK), if the Senior ZIC Guarantee ceases to be, or is claimed by ZIC not to be, in full force and effect; or
- (ix) where ZIC is not the relevant Issuer, the relevant Issuer (excluding ZF (UK)) ceases to be a subsidiary wholly-owned and controlled, directly or indirectly, by ZIC, unless such cessation is as a result of a Permitted Reorganisation or is previously approved either in writing by the Trustee or by an Extraordinary Resolution of Noteholders; or
- (x) any event occurs which under applicable laws has an analogous effect to any of the events referred to in paragraphs (iv) to (vii) above.

#### **(b) Subordinated Notes**

This Condition 9(b) is only applicable to Dated Subordinated Notes and Undated Subordinated Notes.

##### *(i) Events of Default for Dated Subordinated Notes and Undated Subordinated Notes*

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders shall (but, in each case, subject to the Trustee having been indemnified and/or secured to its satisfaction), give notice to the relevant Issuer and the Guarantor that the Notes are immediately due and repayable if any of the following events shall have occurred and be continuing:

- (a) subject to the provisions of Condition 4(d), there is a failure by the relevant Issuer to pay principal or interest on any of the Notes when due and such failure continues for a period of fourteen days; or
- (b) a resolution is passed or an order of a court of competent jurisdiction is made that the relevant Issuer or the Guarantor be wound up or dissolved otherwise than for the purpose of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or as a result of a Permitted Reorganisation.

(ii) *Proceedings for Winding-up*

If the Notes become due and repayable (whether pursuant to Condition 9(b)(i), Condition 6(c) or 6(d) or 6(e) or otherwise) and are not paid when so due and repayable, the Trustee may at its discretion participate in, but not itself institute, proceedings for the winding-up of the relevant Issuer and may take no further action to enforce the obligations of the relevant Issuer for payment of any principal or interest (including Arrears of Interest, if any) in respect of the Notes.

If the Guarantor fails to pay to the Trustee (pursuant to the relevant Subordinated ZIC Guarantee and the Trust Deed) an amount claimed under the relevant Subordinated ZIC Guarantee, the Trustee may at its discretion participate in, but not itself institute, proceedings for the winding-up of the Guarantor and may take no further action to enforce the obligations of the Guarantor under the relevant Subordinated ZIC Guarantee.

No payment in respect of the Notes may be made by the relevant Issuer pursuant to Condition 9(b)(i), nor will the Trustee accept the same, otherwise than during or after a winding-up of the relevant Issuer.

(iii) *Enforcement*

Without prejudice to Condition 9(b)(i) or (ii) above (including, for the avoidance of doubt, the Trustee's right to make a demand under the relevant Subordinated ZIC Guarantee), however, in the case of Restricted Notes, subject to Conditions 10(j) and 10(k), the Trustee may at its discretion and without further notice institute such proceedings against the relevant Issuer or, as the case may be, the Guarantor as it may think fit to enforce any obligation, condition or provision binding on the relevant Issuer or, as the case may be, the Guarantor under the Trust Deed, the Notes or the Coupons (other than any obligation for the payment of any principal or interest in respect of the Notes or the Coupons) provided that the relevant Issuer and the Guarantor shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(iv) *Rights of Noteholders*

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

(v) *Extent of Noteholders' remedy*

No remedy against the relevant Issuer or the Guarantor other than as referred to in this Condition 9(b), shall be available to the Trustee or the Noteholders or Couponholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the relevant Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

In this Condition:

**"Permitted Reorganisation"** means an amalgamation, merger, consolidation, reorganisation or other similar arrangement entered into by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) under which:

- (a) the whole or a substantial part of the business, undertaking and assets of the relevant Issuer or, as the case may be, ZIC are transferred to and all the liabilities and obligations of the Issuer or, as the case may be, ZIC are assumed by the new or surviving entity either:
  - (i) automatically by operation of applicable law; or
  - (ii) the new or surviving entity assumes all the obligations of the Issuer or, as the case may be, ZIC, under the terms of the Trust Deed, and the Notes and (as the case may be) the Senior ZIC Guarantee or the Subordinated ZIC Guarantee, as fully as if (and to the same extent in terms of ranking in a winding-up) it had been named in the Trust Deed and the Notes and (as the case may be) the Senior ZIC Guarantee or the Subordinated ZIC Guarantee, in place of the Issuer or, as the case may be, ZIC; and, in either case,



- (b) the new or surviving entity will immediately after such amalgamation, merger, consolidation, reorganisation or other similar arrangement be subject to the same regulation and supervision by the same regulatory authority (if any) as the relevant Issuer or (as the case may be) ZIC was subject immediately prior thereto.

## **10. Exchange of Notes, transfer of Registered Global Notes, interests in Reg. S Notes, Individual Registered Notes and Replacement of Notes, Coupons and Talons**

### **(a) Exchange of Bearer Notes for Registered Notes**

If so specified in the applicable Final Terms, a Bearer Note in definitive form may be exchanged for Registered Notes of like aggregate nominal amount (in individual registered form) by submission of a duly completed request for exchange substantially in the form provided in the Agency Agreement (an “**Exchange Request**”), copies of which are available from the specified office of the Registrar or any Transfer Agent, together with the Definitive Bearer Note and all unmatured Coupons and Talons appertaining thereto, to a Transfer Agent at its specified office. Within five business days (being for this purpose, a day on which commercial banks and foreign exchange markets are open for business in the jurisdiction of the relevant Transfer Agent) of the request, in relation to Individual Registered Notes for which the Definitive Bearer Note is to be exchanged, the relevant Transfer Agent will authenticate (and in the case of an NGN, effectuate) and deliver, or procure the authentication (and in the case of an NGN, effectuation) and delivery of, at its specified office to the holder or (at the risk of the holder) send by mail to such address as may be specified by the holder in the Exchange Request, the Individual Registered Note(s) of a like aggregate nominal amount to the Definitive Bearer Note(s) exchanged and will enter the exchange of the Definitive Bearer Note(s) in the Register maintained by the Registrar as of the date which is 40 days after the date on which any Temporary Global Note is issued (the “**Exchange Date**”).

Exchange Requests may not be presented on or after the Record Date (as defined in Condition 5(b)) in respect of any Interest Payment Date up to and including such Interest Payment Date. Interest on Individual Registered Notes issued on exchange will accrue as from the immediately preceding Interest Payment Date, as the case may be. No exchanges of Bearer Notes for Registered Notes or interests in Registered Global Notes will be permitted for so long as the Bearer Notes are represented by a Temporary Bearer Global Note.

### **(b) Exchange of interests in Registered Global Notes for Individual Registered Notes**

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

### **(c) Transfers of Registered Global Notes**

Transfers of a Registered Global Note shall be limited to transfers of such Registered Global Note, in whole but not in part, to a nominee of Euroclear or Clearstream, Luxembourg or to a successor of any of them or such successor’s nominee.

### **(d) Transfers of interests in Reg. S Notes**

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of an interest in, a Reg. S Note to a transferee in the U.S. will only be made pursuant to the U.S. Securities Act or an exemption therefrom, subject to receipt by the relevant Issuer of such satisfactory evidence as such Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the U.S., and in accordance with any applicable securities laws of any state of the U.S. or any other jurisdiction.

After expiry of the applicable Distribution Compliance Period such certification requirements will no longer apply to such transfers.

### **(e) Exchanges and transfers of Registered Notes generally**

Registered Notes may not be exchanged for Bearer Notes.

Transfers of interests in Reg. S Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in a Reg. S Global Note will be transferable and exchangeable for Individual Registered

Notes or for an interest in another Reg. S Global Note only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg (the “**Applicable Procedures**”).

Upon the terms and subject to the conditions set forth in the Agency Agreement, an Individual Registered Note may be transferred in whole or in part (in the authorised Denominations set out in the applicable Final Terms) by the holder or holders surrendering the Individual Registered Note for registration of the transfer of the Individual Registered Note (or the relevant part of the Individual Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and upon the Registrar or, as the case may be, the relevant Transfer Agent, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the relevant Issuer and the Registrar, or as the case may be, the relevant Transfer Agent may with the prior approval of the Trustee prescribe, including any restrictions imposed by the relevant Issuer on transfers of Registered Notes in individual form originally sold to a U.S. person. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Individual Registered Note of a like aggregate nominal amount to the Registered Note (or the relevant part of the Individual Registered Note) transferred. In the case of the transfer of part only of an Individual Registered Note, a new Individual Registered Note in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

Exchanges or transfers by a holder of an Individual Registered Note for an interest in, or to a person who takes delivery of such Individual Registered Note through, a Reg. S Global Note will be made no later than 60 days after the receipt by the Registrar or as the case may be, relevant Transfer Agent of the Individual Registered Note to be so exchanged or transferred and, if applicable, upon receipt by the Registrar of a written certification from the transferor.

#### **(f) Registration of transfer upon partial redemption**

In the event of a partial redemption of Notes under Condition 6(e), the relevant Issuer shall not be required:

- (i) to register the transfer of Registered Notes (or parts of Registered Notes) during the period beginning on the sixty-fifth day before the date of the partial redemption and ending on the date on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive); or
- (ii) to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

#### **(g) Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered during the period of 30 days ending on the due date for any payment of principal or interest on that Note.

#### **(h) Costs of exchange or registration**

The transfer of a Note will be effected without charge by or on behalf of the relevant Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require from the Noteholder in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

#### **(i) Replacement of Notes, Coupons and Talons**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, in the case of a Bearer Note or Coupon, or the Registrar, in the case of an Individual Registered Note, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 13, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the relevant Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

#### **(j) Restrictions on Transfer of Certain Notes**

- (i) In the case of Notes issued by ZIC, if the applicable Final Terms designate the Notes as Restricted Notes, (but not otherwise) the provisions of this Condition 10(j) shall apply and the Restricted Notes will be issued as Registered Notes and may only be assigned, or transferred, including upon an enforcement of a security, (a “**Transfer**” and “**Transferred**” shall be construed accordingly):

- (a) in whole or in part, if the Transfer is to a Qualifying Bank, or

- (b) in whole, but not in part (except for parts of Restricted Notes held by Qualifying Banks at the time), if the Transfer is to a Permitted Non-Qualifying Lender,

provided that no Transfer under this Condition 10(j) may result in more Permitted Non-Qualifying Lenders being Noteholders than as specified in the applicable Final Terms.

The Restricted Notes will bear a legend setting forth the applicable transfer restrictions provided for in this Condition 10(j).

- (ii) A Noteholder may at any time require that the Issuer replaces such Noteholder's certificate(s) representing the Restricted Notes with certificates in minimum denominations equal to the Restricted Note Minimum Denomination Amount specified in the applicable Final Terms.
- (iii) Restricted Notes may only be Transferred in amounts equal to the Restricted Note Transfer Amount specified in the applicable Final Terms.
- (iv) Any Transfer of a Restricted Note shall be recorded by the Registrar in the Register on production of:
  - (a) the relevant certificate representing the Restricted Note and certification delivered to the Registrar by the transferee to the effect that it is a Qualifying Bank or Permitted Non-Qualifying Lender; and
  - (b) such other evidence as the Issuer may require.

Any Transfer of a Restricted Note shall only be effective and shall only be recorded by the Registrar in the Register if such Restricted Note is Transferred in accordance with this Condition 10(j).

- (v) Subject to this Condition 10(j), no Noteholder shall at any time enter into any arrangement with another person under which such Noteholder transfers all or part of its interest in the Restricted Notes to that other person, unless under such arrangement throughout the life of such arrangement:
  - (a) the relationship between the Noteholder and that other person is that of debtor and creditor (including in the bankruptcy or similar event of that Noteholder or the Issuer),
  - (b) the other person will have no proprietary interest in the benefit of the Restricted Notes or in any monies received by the Noteholder under or in relation to the Restricted Notes held by that Noteholder; and
  - (c) the other person will under no circumstances (other than by way of permitted Transfer under this Condition 10(j)) be subrogated to, or substituted in respect of, the Noteholder's claims under its Restricted Notes and otherwise have any contractual relationship with, or rights against, the Issuer under or in relation to, the Restricted Notes.

For the avoidance of doubt, the granting of security in accordance with Condition 10(k) shall not constitute a transfer of an interest under the Restricted Notes for the purposes of this Condition 10(j).

- (vi) As of the Issue Date and for so long as the Restricted Notes are outstanding, the Issuer will ensure that it is in compliance with the Non-Bank Rules, provided that the Issuer will not be in breach if either of the Non-Bank Rules are exceeded solely by the failure by one or more Noteholders to comply with the limitations set forth in this Condition 10(j) or in Condition 10(k).

#### **(k) Grants of Security**

If the applicable Final Terms provide that the Notes are Restricted Notes, then the following provisions of this Condition 10(k) shall apply but not otherwise. Any Noteholder may, without the consent of the Issuer, at any time charge or create a security interest in all or any portion of its rights under any Restricted Notes to secure obligations of such Noteholder; provided that:

- (i) no such charge or creation of a security interest shall:
  - (a) substitute any such chargee or holder of the benefit of such security interest for such Noteholder as Noteholder except in accordance with the provisions of Condition 10(j); or
  - (b) require any payments to be made by the Issuer other than as required by the Restricted Notes. A copy of any notice of charge or creation of security interest as envisaged in this paragraph shall be delivered to the Agent and the Agent shall not be obliged to take any action in regard to such notice; and
- (ii) such charge or security interest shall in each case provide that upon any assignment or transfer of the interest in the Restricted Notes or enforcement of such charge or security interest, any resulting assignment or transfer shall be in accordance with Condition 10(j); and

- (iii) the Noteholder promptly notifies the Registrar of any such charge or security interest and the secured party's identity and status by delivering to the Registrar a notification to such effect.

## 11. Agent, Paying Agents, Transfer Agents and Registrar

The names of the initial Agent, the other initial Paying Agents, the initial Registrar and the initial Transfer Agents and their initial specified offices are set out below.

The relevant Issuer and ZIC (where ZIC is not the relevant Issuer) are, with the prior written approval of the Trustee (such approval not to be unreasonably withheld), entitled to vary or terminate the appointment of any Paying Agent or Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrars, Transfer Agents and/or approve any change in the specified office through which any Paying Agent, Registrar or Transfer Agent acts, provided that:

- (i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent and a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;
- (ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in continental Europe;
- (iii) there will at all times be an Agent and a Registrar;
- (iv) there will at all times be a Transfer Agent having a specified office in a place approved by the Trustee; and
- (v) the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) undertake that they will ensure that they maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced to conform to, such Directive; and
- (vi) if legislation is enacted in Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation proposed by the Swiss Federal Council on 24 August 2011, in particular, the principle to have a person other than the Issuer withhold or deduct tax, the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) will use reasonable efforts to make payments in respect of the Notes through a Paying Agent outside Switzerland, provided that the use of such Paying Agent outside Switzerland would eliminate any Swiss withholding tax that would otherwise apply to payments from the Issuer.

In addition, the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the penultimate paragraph of Condition 5(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency or where the Paying Agent is not, or ceases to be, a FATCA Compliant Entity, when it shall be of immediate effect) after not less than 30 or more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

Notwithstanding the foregoing, the relevant Issuer will in respect of any Listed Swiss Franc Notes at all times maintain a Principal Paying Agent having a specified office in Switzerland and will at no time maintain a Paying Agent having a specified office outside Switzerland, unless permitted by applicable law.

As used herein:

**"FATCA Compliant Entity"** means a person payments to whom are not subject to FATCA Withholding; and

**"FATCA Withholding"** means any amount required to be withheld or deducted pursuant to the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions and any regulations and official guidance issued thereunder) pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service.

## 12. Exchange of Talons

On and after the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date (as the case may be) on which the final Coupon of the relative Coupon sheet matures.

## 13. Notices

All notices regarding the Bearer Notes shall be published (i) in a leading English language daily newspaper of general circulation in London, (ii) if and for so long as such Bearer Notes are listed on the Luxembourg Stock Exchange and the rules of that

exchange so require on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) in Luxembourg, (iii) (in the case of Listed Swiss Franc Notes) in a leading newspaper of general circulation in Switzerland which is expected to be the *Feuille Officielle Suisse du Commerce* and in a daily newspaper in each of Zurich and Geneva. It is expected that such publication will be made (in the case of (i) above) in the Financial Times in London or any other daily newspaper in London approved by the Trustee or, if this is not possible, in another English language daily newspaper approved by the Trustee with general circulation in Europe and (in the case of (ii) above) the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). The relevant Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange, listing authority and/or quotation system by which the Notes are for the time being admitted to listing, trading and/or quotation. To the extent required by Luxembourg law, notices shall also be published in the *Memorial C, Recueil des Sociétés et Associations* (“**Memorial C**”).

In the case of Bearer Notes and Registered Notes, if and to the extent required by the Luxembourg law of 11 January 2008 relating to transparency obligations of issuers of securities, as amended, implementing Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, as amended, notices will also be published in accordance with the provisions of such law and implementing provisions. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the first date on which publication in all the required newspapers has been made. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the relative Noteholders in accordance with this Condition.

All notices to holders of Registered Notes will be valid if sent by first-class mail or (if posted to an overseas address) by air-mail to their registered addresses appearing on the Register. Any such notice shall be deemed to have been given on the fourth day after the day on which it is mailed. If and for so long as the relevant Registered Notes are listed on the Luxembourg Stock Exchange, and the rules of that exchange so require, all notices regarding Registered Notes shall be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Until such time as any definitive Notes are issued, there may, so long as the global Note(s) is or are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes and in addition, for so long as any Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, a notice will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent and/or the Registrar via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and/or the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

#### **14. Meetings of Noteholders, Modification and Waiver, Entitlement of Trustee, Substitution, Change and Indemnification of Trustee**

##### **(a) Single Noteholder**

In relation to any Restricted Notes so long as there is only one Noteholder thereof, who shall certify to the Trustee that it is the sole Noteholder of the Notes and is not holding such Notes as a depositary for, or nominee of, Euroclear, Clearstream, Luxembourg on or prior to any such amendment, waiver or variation being made (i) no amendment, waiver or variation of the Notes or the Trust Deed may be made without the prior written consent of such Noteholder and parties to the Trust Deed and (ii) the meeting, quorum and voting provisions of Conditions 14(b) shall not apply.

##### **(b) Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of such Notes, the relative Coupons or any relevant provisions of the Trust Deed. Such a meeting may be convened by the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee or at the request of Noteholders holding not less than 10 per cent in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Trust Deed, the Notes or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the

Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on relevant Couponholders. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 75 per cent in nominal amount of Notes outstanding shall be as valid and effective as a duly passed Extraordinary Resolution. The provisions for convening meetings of Noteholders contained in the Trust Deed shall not apply to Listed Swiss Franc Notes.

The provisions of Articles 1157-1186 of the Swiss Code of Obligations will apply to all meetings of holders of Notes issued by ZIC.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification (subject to certain exceptions as provided in the Trust Deed) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or may (in relation to the Events of Default set out in Condition 9(a)(ii), (iii), (v), (vi), (vii) and (x) (to the extent it applies to Conditions 9(a)(v), (vi) and (vii)) determine that any condition, event or act which, but for such determination, would constitute an Event of Default or Potential Event of Default (as defined in the Trust Deed), shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of these Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes, the Coupons or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except, in the case of the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), to the extent provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

The Trust Deed contains provisions permitting the Trustee to agree, without the consent of the Noteholders or the Couponholders, to the substitution at any time or times of any other company in the place of the relevant Issuer as the principal debtor under the Trust Deed and the Notes and Coupons issued by the relevant Issuer. Notwithstanding the above, by subscribing to or purchasing the Notes, the Noteholders expressly consent to the substitution of the relevant Issuer and expressly consent to the release of the Issuer from any and all obligations in respect of the Notes and are deemed to have expressly accepted such substitution. Such agreement shall be subject to the relevant provisions of the Trust Deed, including, except in the case of a substituted issuer domiciled in Luxembourg where appropriate, an irrevocable and unconditional guarantee by ZIC in terms substantially similar to those referred to in Condition 3(a) in respect of any Notes issued by the substituted issuer.

The Trust Deed contains general provisions for the retirement and removal of the Trustee and the appointment by the relevant Issuer of a substitute issuer which has previously been approved by the Trustee.

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.

For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg Act dated 10 August 1915 on commercial companies, as amended, are excluded in the case of Notes issued by ZF (Luxembourg).

## **15. Enforcement**

- (a) Subject to the provisions of Condition 9(b) in the case of Subordinated Notes, the Trustee may at any time, at its discretion and without notice, however, in the case of Restricted Notes, subject to Conditions 10(j) and 10(k), take such proceedings against the relevant Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of not less than 25 per cent in principal amount of the Notes then outstanding, and (ii) it shall have been indemnified and/or secured to its satisfaction.
- (b) No Noteholder or Couponholder shall be entitled to proceed directly against the relevant Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and such failure shall be continuing, in which case the Noteholder or Couponholder shall have only such rights against the relevant Issuer or, as the case may be, the Guarantor as

those which the Trustee is entitled to exercise. Any such proceedings brought by any Noteholder or Couponholder shall be brought in the name of the Trustee, subject to such Noteholder or Couponholder indemnifying the Trustee to its satisfaction.

## 16. Further Issues

The relevant Issuer shall be at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## 17. Governing Law and Submission to Jurisdiction

- (a) The Trust Deed (other than the provisions relating therein to the Senior ZIC Guarantee and the Subordinated ZIC Guarantee which shall be governed by, and construed in accordance with the laws of Switzerland), the Notes, (other than the provisions relating to Subordinated Notes of Condition 2 which shall be governed by, and construed in accordance with, the laws of the jurisdiction of incorporation of the relevant Issuer of the Subordinated Notes) and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) The relevant Issuer has agreed in the Trust Deed, for the exclusive benefit of the Trustee, the Noteholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes and/or the Coupons and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Notes and the Coupons may be brought in such courts.
- (c) The relevant Issuer has irrevocably waived in the Trust Deed any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum.
- (d) Nothing contained in this Condition shall limit any right to take Proceedings against the relevant Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- (e) The relevant Issuer (other than ZF (UK)) has appointed Zurich Insurance plc, UK branch at its registered office for the time being as its agent for service of process in respect of any Proceedings in England and has undertaken in the Trust Deed that, in the event of Zurich Insurance plc, UK branch ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings in England.
- (f) Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.
- (g) In respect of Listed Swiss Franc Notes only, the relevant Issuer and the Trustee have agreed in the Trust Deed for the benefit of the Noteholders and the Couponholders to the additional jurisdiction of the courts of the City of Zurich, venue Zurich 1, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.
- (h) Each of the Senior ZIC Guarantee and the Subordinated ZIC Guarantee are governed by, and shall be construed in accordance with, the laws of Switzerland. Any legal action or proceedings in respect of each Senior ZIC Guarantee or each Subordinated ZIC Guarantee shall be brought exclusively in the courts of the City of Zurich, venue Zurich 1, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.

## 18. Contracts (Rights of Third Parties) Act 1999

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

## TERMS AND CONDITIONS OF THE CAPITAL NOTES

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

This Capital Note is one of a Series (as defined below) of Capital Notes issued by Zurich Insurance Company Ltd (“ZIC” or the “Issuer”), constituted by an amended and restated trust deed (as further modified and/or supplemented and/or restated from time to time, the “Trust Deed”) dated 19 May 2014 made between, *inter alios*, the Issuer, Zurich Insurance Group Ltd (“ZIG”) and Citicorp Trustee Company Limited (the “Trustee”, which expression shall include any successor as trustee). ZIG is a party to the Trust Deed for the purposes of giving certain undertakings expressed to be given by it in these Terms and Conditions.

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

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

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

The Capital Notes and the Coupons (as defined below) are the subject of an amended and restated agency agreement (the “Agency Agreement” which expression shall, where the context permits, include any supplements or amendments thereto and any agency agreement relating to Listed Swiss Franc Capital Notes as referred to in Condition 5(e) dated 19 May 2014 and made between, *inter alios*, the Issuer, Citibank, N.A. as issuing and principal paying agent and agent bank (the “Agent”, which expression shall include any successor agent specified in the applicable Final Terms), the other paying agents named therein (together with the Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents), Banque Internationale à Luxembourg as listing agent (the “Luxembourg Listing Agent”), the registrars named therein (each, a “Registrar”, which expression shall include any additional or successor registrar), the transfer agents named therein (the “Transfer Agents”, which expression shall include any additional or successor transfer agents) and the Trustee.

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

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

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

Copies of the Trust Deed, the Agency Agreement and the applicable Final Terms are available for inspection during normal business hours at the principal London office for the time being of the Trustee (being at the date of the Trust Deed at Citicorp Trustee Company Limited, 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom) and are available at the specified office of each of the Agent, the other Paying Agents, the Registrar and the Transfer Agents save that, if this Capital Note is an unlisted Capital Note of any Series, the applicable Final Terms will only be available for inspection at the principal London office of the Agent by a Noteholder holding one or more unlisted Capital Notes of that Series and such Noteholder must produce evidence satisfactory to the Agent as to its holding of Capital Notes and as to identity. The Noteholders



and the holders of the Coupons (the “**Couponholders**”) are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of the Trust Deed and the applicable Final Terms, and are deemed to have notice of, and be bound by, the provisions of the Agency Agreement which are applicable to them.

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

## 1. Form, Denomination and Title

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

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

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

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

Each Tranche of Bearer Notes may be initially represented by a temporary Global Note without Coupons or Talons (a “**Temporary Global Note**”) or, if so specified in the applicable Final Terms, a permanent Global Note (a “**Permanent Global Note**”), which will be delivered to the common depository for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme*, Luxembourg (“**Clearstream, Luxembourg**”). On or after the end of the period that ends 40 days after completion of the distribution of each Tranche of Capital Notes, as certified by the relevant Dealer, in the case of a non syndicated issue, or the Lead Manager, in the case of a syndicated issue (the “**Distribution Compliance Period**”), the Temporary Global Note will be exchangeable upon a request as described therein either for interests in a Permanent Global Note without Coupons or Talons or for Definitive Bearer Notes (as indicated in the applicable Final Terms and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification to the effect that the beneficial owner of interests in such Temporary Global Note is not a U.S. person or a person who has purchased for resale to any U.S. person, as required by U.S. Treasury regulations. Each Tranche of Bearer Notes may also be initially represented by a Permanent Global SIS Note (as defined in the Trust Deed). Unless otherwise specified in the applicable Final Terms, a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, Coupons and Talons attached (i) if a Dissolution Event (as defined in Condition 9) occurs in respect of any Capital Note, (ii) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (weekends and public holidays excepted) or announces an intention to cease business permanently or in fact does so and no alternative clearing system satisfactory to the Trustee is available or (iii), if so specified in the applicable Final Terms, at the option of the Noteholder, provided that, in the case of an issue of Capital Notes with a minimum denomination of EUR 100,000 (or the equivalent thereof in

the currency in which such issue of Notes is denominated as determined on the date of issue of such Notes) and smaller integral multiples thereof only exchange events (i) or (ii) above will apply.

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

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

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

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

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

References in these Terms and Conditions to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system (including SIS) approved by the Issuer, the Trustee and the Agent and specified in the applicable Final Terms.

## 2. Status of the Capital Notes

The Capital Notes and the relative Coupons constitute direct, subordinated and unsecured obligations of the Issuer and rank *pari passu*, without any preference, among themselves. The claims of the holders of Capital Notes and relative Coupons rank on a voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings of or against the Issuer:

- (i) after the claims of any Senior Creditors (as defined below);
- (ii) *pari passu* with any subordinated obligations of the Issuer which whether now or in the future rank or are expressed to rank *pari passu* with the claims of the Noteholders (“**Parity Obligations**”, and “**Parity Obligation**” shall be construed accordingly); and
- (iii) prior to the claims of the holders of all classes of issued shares in the share capital of the Issuer.

*For the avoidance of doubt, the Issuer’s obligations under the subordinated support agreements entered into in connection with the enhanced capital advantaged preferred securities (ECAPS) issued by ZFS Finance (USA) Trust II and the Trust Preferred Securities issued by ZFS Finance (USA) Trust V and the Issuer’s obligations under the €143m 12 per cent Capital Notes and U.S.\$500m 8.250 per cent Undated Reset Capital Notes each constitute Parity Obligations.*

In the event of a voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings of or against the Issuer, there shall be payable in such voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings on each Capital Note, subject to the subordination provisions set out in this Condition 2, an amount equal to the principal amount of such Capital Note together with unpaid Deferred Interest (as defined in Condition 3(c)) (if applicable) and interest which has accrued up to, but excluding, the date of repayment.

Notwithstanding the preceding paragraph, if the applicable Final Terms specify that Solvency Deferred Interest Limitation is applicable, then the amount payable in respect of Deferred Interest in the circumstances described in such paragraph shall be reduced by an amount equal to the Relevant Excess Solvency Deferred Interest.

As used herein “**Senior Creditors**” means (i) Senior Creditors and holders of Subordinated Notes (each as defined in Schedule 1 Part A to the Trust Deed) and (ii) creditors of the Issuer in respect of a ZIC Subordinated Guarantee (as defined in the Trust Deed) or in respect of other actual or contingent obligations (including claims of holders of insurance policies issued by the Issuer), whether outstanding at the Issue Date or subsequently incurred, other than any obligation as to which, in the instrument creating or

evidencing the obligation or pursuant to which the obligation is outstanding, it is expressly provided that such obligation is *pari passu* with, or junior to, the Capital Notes and/or any Parity Obligations.

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

No security of whatever kind is, or will at any time be, provided by the Issuer or any other person securing the rights of the Noteholders under the Capital Notes. No agreement may defeat the subordination pursuant to the provisions set out in this Condition 2 or shorten any applicable notice period in respect of the Capital Notes as provided in these Conditions. If the Capital Notes are redeemed in breach of Condition 6(a) (if applicable), (b), (c) or (d), the amounts so paid to any Noteholder must be repaid to the Issuer by such Noteholder irrespective of any agreement to the contrary, unless (x) the Issuer has been dissolved or (y) such amounts have been replaced by regulatory capital qualifying for the same regulatory (sub-) category or equivalent thereof or (z) if FINMA or any Successor Authority (each as defined below) applicable at the time has given its prior written consent (if necessary) to the redemption.

The subordination provisions of this Condition 2 which are governed by, and shall be construed in accordance with, the laws of Switzerland, are irrevocable.

As used herein:

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

“**Relevant Excess Solvency Deferred Interest**” means the amount by which any Relevant Solvency Deferred Interest which has not been settled through the application of the APM Settlement exceeds 25 per cent of the Aggregate Nominal Amount of the Capital Notes (then outstanding).

“**Relevant Solvency Deferred Interest**” means Solvency Deferred Interest arising only by reason of limb (iii) of the definition of Solvency Event.

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

### **3. Deferral or Cancellation of Interest**

#### **(a) Solvency Event**

Condition 3(a) shall only apply in respect of a Capital Note where the applicable Final Terms specify that Solvency Event is applicable.

If Solvency Event is specified in the applicable Final Terms as being applicable and a Solvency Event has occurred and is continuing as at the relevant Determination Date, then, in relation to any Interest Payment which is otherwise scheduled to be paid on an Interest Payment Date the Issuer shall (if the applicable Final Terms specify the Capital Note as being Cumulative in relation to a Solvency Event) defer, or (if the applicable Final Terms specify the Capital Note as being Non-Cumulative in relation to a Solvency Event) cancel such Interest Payment, and shall defer or, as applicable, cancel the relevant Solvency Shortfall if, were the Issuer to make payment of the relevant Interest Payment, a Solvency Event would as at the date of such payment occur, in any such case except that the Issuer will not be required to defer or, as applicable, cancel such Interest Payment or Solvency Shortfall, as the case may be, if FINMA or any Successor Authority applicable at the time has given its consent to such payment.

Noteholders shall have no entitlement to, or claim for, any Interest Payment or Solvency Shortfall cancelled pursuant to this Condition 3(a) and, for the avoidance of doubt, such amount shall not constitute Deferred Interest (as defined below) hereunder and such cancellation shall not constitute a Dissolution Event by the Issuer or any other breach or default under the Capital Notes or for any other purpose.

Any Interest Payment or Solvency Shortfall deferred pursuant to this Condition 3(a) is referred to herein as “**Solvency Deferred Interest**”.

The Issuer shall give notice of any such deferral or cancellation to the Trustee (together with the certificate of the occurrence of a Solvency Event and as to the quantum of any Solvency Shortfall referred to below), the Agent and to the Noteholders in accordance with Condition 13 not less than seven days prior to the relevant Interest Payment Date.

A certificate as to the occurrence of a Solvency Event, as to the quantum of any Solvency Shortfall, signed by two Authorised Officers of the Issuer or ZIG, shall, in the absence of manifest error be treated and accepted by the Issuer, the Noteholders, the

Trustee, the Couponholders and all other interested parties as correct and sufficient evidence thereof. The Trustee shall be entitled to rely upon such certification absolutely without liability to any person.

As used herein:

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

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

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

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

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

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

A **“Restricted Payments Provision”** in any obligation is a provision in such obligation or any related transaction agreements providing for complete or partial prohibitions as to payment of distributions (or similar payments) on other securities that rank *pari passu* with, or junior to, such obligations for so long as distributions (or similar payments) on such obligations remain unpaid.

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

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

If ZIG is specified as the Relevant Entity in the Final Terms, **“Senior Creditors”** means (i) all unsubordinated creditors of ZIG; and (ii) all creditors of ZIG whose claims are subordinated by operation of law or pursuant to their terms, to the claims of other unsubordinated creditors of that entity but not further or otherwise.

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

If Solvency Event is specified in the applicable Final Terms as being not applicable, then solely in respect of Interest Payments and without prejudice to Condition 2, such Capital Notes rank senior to any existing or future obligations of the Issuer (**“other obligations”**) that would otherwise have ranked *pari passu* with the Capital Notes, if and to the extent payment of such Interest Payments would otherwise be prohibited by any Restricted Payments Provision in such other obligations as a result of solvency event provisions with respect to such other obligations.

If payment of an Interest Payment is deferred or, as applicable, cancelled pursuant to Condition 3(a), the Issuer shall not have any obligation to pay such Interest Payment on the relevant Interest Payment Date and the failure to pay such Interest Payment shall not constitute a Dissolution Event by the Issuer or any other breach or default under the Capital Notes or for any other purpose.

#### **(b) Mandatory Cancellation**

Condition 3(b) shall only apply in respect of a Capital Note where the applicable Final Terms specify that Trigger Event is applicable.

If Trigger Event is specified in the applicable Final Terms as being applicable and a Trigger Event has occurred and is continuing as at the relevant Determination Date, then, in relation to any Interest Payment which is otherwise scheduled to be paid on an Interest Payment Date, the Issuer shall cancel the amount (the **“Trigger Event Shortfall”**) by which such Interest Payment exceeds the New Capital Amount per Capital Note outstanding at such time. The Issuer shall give notice of such cancellation and of the relevant Trigger Event Shortfall to the Trustee (together with the certificate referred to below), the Agent and to the Noteholders in accordance with Condition 13 not less than seven days prior to the relevant Interest Payment Date.

Noteholders shall have no entitlement to, or claim for, any Trigger Event Shortfall cancelled pursuant to this Condition 3(b) and, for the avoidance of doubt, such cancellation shall not constitute a Dissolution Event by the Issuer or any other breach or default under the Capital Notes or for any other purpose.

As used herein:

A **“Trigger Event”** shall be deemed to have occurred at any Determination Date if each of the following has occurred:

- (i) ZIG’s Trailing Four Quarters Consolidated Net Income Amount is not a positive amount for the four fiscal quarter periods ending on the last day of ZIG’s fiscal quarter that is two fiscal quarters prior to the most recently completed fiscal quarter before that Determination Date; and
- (ii) ZIG’s Adjusted Consolidated Shareholders’ Equity Amount as at the end of ZIG’s fiscal quarter that is two fiscal quarters prior to the most recently completed fiscal quarter before that Determination Date has declined by 10 per cent or more as compared to ZIG’s Adjusted Consolidated Shareholders’ Equity Amount at the end of the tenth fiscal quarter preceding ZIG’s most recently completed fiscal quarter before that Determination Date; and
- (iii) ZIG’s Adjusted Capital Amount as at the end of ZIG’s most recently completed fiscal quarter before that Determination Date has declined by 10 per cent or more as compared to ZIG’s Adjusted Consolidated Shareholders’ Equity Amount at the end of the tenth fiscal quarter preceding ZIG’s most recently completed fiscal quarter before that Determination Date.

A certificate as to the occurrence or continuation of a Trigger Event and as to the quantum of the relevant Trigger Event Shortfall, signed by two Authorised Officers of the Issuer or ZIG and which sets out the Issuer’s or ZIG’s determinations of the Trailing Four Quarters Consolidated Net Income Amount, the Adjusted Consolidated Shareholders’ Equity Amount and the Adjusted Capital Amount as at the dates aforesaid and that as a result, a Trigger Event shall have occurred shall, in the absence of manifest error, be treated and accepted by the Issuer, ZIG, the Trustee, the Noteholders, the Couponholders and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certification absolutely without liability to any person.

**“Adjusted Capital Amount”** means the Adjusted Consolidated Shareholders’ Equity Amount plus Qualifying Mandatory Convertibles.

**“Adjusted Consolidated Shareholders’ Equity Amount”** means, as at any quarter end and subject to the adjustments referred to below, ZIG’s total consolidated shareholders’ equity excluding preferred securities, net unrealised gains (or losses) on investments and cumulative translation adjustments, as reflected on ZIG’s consolidated IFRS balance sheets as at such quarter end.

**“IFRS”** means, at any date and for any period, International Financial Reporting Standards as applied to, and reflected in, ZIG’s consolidated financial statements as at the relevant dates and for the relevant periods.

**“New Capital Amount”** means, at any date, the net proceeds received by the Issuer or ZIG from new issuances (whether in one or more public offerings or private placements) and/or sales of ordinary shares, during the period commencing on the 180th day prior to such date and designated by the Issuer or ZIG at or before the time of issuance as available to pay Interest Payments on the Capital Notes.

**“Qualifying Mandatory Convertible”** means, securities of ZIG or a subsidiary thereof (other than ordinary shares of ZIG) with (i) no prepayment obligation in respect of such securities on the part of the issuer thereof, whether at the election of the holders or otherwise, and (ii) a requirement that such securities convert into ordinary shares of ZIG within three years from the date of their issuance at a conversion ratio within a range established at the time of issuance of such securities.

**“Trailing Four Quarters Consolidated Net Income Amount”** means, for any fiscal quarter and subject to the adjustments referred to below, the sum of ZIG’s consolidated net income for the four fiscal quarters ending as at the last day of such fiscal quarter.

If the conditions for a Trigger Event are satisfied for any Determination Date, the cancellation of interest will continue until that Trigger Event has been deemed cured in the manner described below on a subsequent Determination Date. In addition, if additional Trigger Events are triggered on one or more subsequent Determination Dates before the initial Trigger Event is deemed cured (as described below), the cancellation of interest on the Capital Notes will continue until each such subsequent Trigger Event has been deemed cured (as described below). After one or more Trigger Events have occurred or are continuing, the Issuer may only begin to pay interest on the Capital Notes on any Interest Payment Date if on the relevant Determination Date (i) no new Trigger Event has occurred and (ii) all of the previous Trigger Events have been deemed cured (as described below).

A Trigger Event that was triggered on a prior Determination Date (the **“Previous Determination Date”**) will be deemed to be cured as at a later Determination Date if ZIG’s Adjusted Capital Amount as at its most recently completed fiscal quarter before that later Determination Date has increased, or has declined by less than 10 per cent, as compared to ZIG’s Adjusted Consolidated Shareholders’ Equity Amount as at the end of the originally specified benchmark fiscal quarter for that Previous Determination Date. All financial terms used in this Condition 3(b) will be determined in accordance with IFRS. If because of a change in IFRS that results in a change in accounting principles or a restatement, ZIG’s Adjusted Consolidated Shareholders’ Equity Amount as at a fiscal quarter end is higher or lower than it would have been absent such change, then for the purpose of the calculation described in the preceding sentence, ZIG’s Adjusted Consolidated Shareholders’ Equity Amount will be calculated on a pro forma basis as if such change had not occurred. Upon satisfaction of the conditions described in this paragraph, the Issuer will provide a certificate, signed by two Authorised Officers of the Issuer, certifying that such conditions have been met and the Trigger Event has been deemed to be cured and the Trustee shall be entitled to rely on such certification absolutely without liability to any person.

If Trigger Event is specified in the applicable Final Terms as being not applicable, then solely in respect of Interest Payments and without prejudice to Condition 2, such Capital Notes rank senior to any existing or future obligations of the Issuer (**“other obligations”**) that would otherwise have ranked *pari passu* with the Capital Notes, if and to the extent payment of such Interest Payments would otherwise be prohibited by any Restricted Payments Provision in such other obligations as a result of a Trigger Event Occurrence (as defined below) with respect to such other obligations.

A **“Trigger Event Occurrence”** with respect to any obligation is the mandatory deferral or cancellation of the payment of any distributions (or similar payments) on that obligation as a result of any event or condition specified in the provisions of such obligation or any related transaction agreements, including the suspension or the cancellation of the payment of any distributions (or similar payments) from any source other than a specific source of funds, but excluding any such mandatory deferral or cancellation purely as a result of solvency event provisions analogous to those in Condition 3(a).

### **(c) Optional Deferral or Cancellation**

Condition 3(c) shall only apply in respect of a Capital Note where the applicable Final Terms specify that Optional Non-Payment is applicable.

In addition to the obligation of the Issuer to defer or, as applicable, cancel interest in certain circumstances set out in, and in accordance with, Conditions 3(a) and 3(b), the Issuer may elect (if the applicable Final Terms specify the Capital Note as being Cumulative in relation to Optional Non-Payment) to defer, or (if the applicable Final Terms specify the Capital Note as being Non-Cumulative in relation to Optional Non-Payment) to cancel in whole or in part any Interest Payment which is otherwise scheduled to be paid on an Optional Interest Payment Date (as defined below) by giving written notice of such election to the Trustee, the Agent and to the Noteholders in accordance with Condition 13 not less than seven days prior to the relevant Interest Payment Date. If so specified in the applicable Final Terms, notwithstanding the other provisions of this Condition 3(c) but without prejudice to the provisions of Conditions 3(a) and 3(b), if as at any Optional Interest Payment Date FINMA or any Successor Authority no longer accords any regulatory capital credit to the Capital Notes under Applicable Regulations (as defined below) the Issuer will only be allowed to exercise its option under this Condition 3(c) to defer payments of interest on the Capital Notes on such Optional Interest Payment Date for up to five years (a **“Fixed Term Deferred Interest Payment”**), and the Issuer will only be allowed to exercise its option under this Condition 3(c) to cancel payments of interest on the Capital Notes on such Optional Interest Payment Date and each Optional Interest Payment Date falling in the period of five years following such first Optional Interest Payment Date, but not thereafter. Any Fixed Term Deferred Interest Payment shall fall due on the relevant APM Deferred Settlement Date, or, as applicable, Cash Deferred Settlement Date or, if earlier, the fifth anniversary of the Optional Interest Payment Date on which such payment was deferred.

Noteholders shall have no entitlement to, or claim for, any Interest Payment or, as appropriate, any part thereof cancelled pursuant to this Condition 3(c) and, for the avoidance of doubt, such sum shall not constitute Deferred Interest hereunder and such cancellation shall not constitute a Dissolution Event by the Issuer or any other breach or default under the Capital Notes or for any other purpose.

Any Interest Payment, or, as appropriate, any part thereof, deferred pursuant to this Condition 3(c), is referred to herein as **“Optionally Deferred Interest”** and, together with Solvency Deferred Interest, as **“Deferred Interest”**.

If payment of an Interest Payment, or as appropriate, any part thereof, is deferred pursuant to Condition 3(c), the Issuer shall not have any obligation to pay such Interest Payment, or as appropriate, part thereof on the relevant Optional Interest Payment Date and the failure to pay such Interest Payment, or as appropriate, part thereof shall not constitute a Dissolution Event by the Issuer or any other breach or default under the Capital Notes or for any other purpose.

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

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

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

**(d) Payment Restrictions following Deferral or Cancellation**

In the case of a Capital Note where the applicable Final Terms specify that this Condition 3(d) applies but not otherwise, the Issuer and ZIG agree that if an Interest Payment has not been paid in full for an Interest Period by reason of Conditions 3(a), (b) or (c), then, subject as provided below, in the case of a Capital Note where the applicable Final Terms provide that it is Cumulative with respect to events specified under Conditions 3(a), or (c), for so long as any such Deferred Interest remains outstanding and, in the case of a Capital Note where the applicable Final Terms provide that it is Non-Cumulative with respect to events specified under Conditions 3(a) or (c), and in the case of a Capital Note where the relevant Interest Payment has been cancelled by reason of Condition 3(b), until the next payment of an Interest Payment in full, and in each case subject as provided below, (v) ZIG will not, nor will it permit any of its subsidiaries to, make any discretionary payment of principal, interest or premium, if any, on or repay, purchase or redeem any ZIG Subordinated Debt (as defined below); (w) ZIG will not, nor will it permit any of its subsidiaries to, make any discretionary guarantee payments with respect to any of its guarantees of the securities of any of its subsidiaries if such guarantee ranks *pari passu* with, or junior to, any ZIG Subordinated Debt; (x) ZIG will not, and will not permit any of its subsidiaries to, redeem, purchase or acquire, or make a liquidation payment with respect to, any of ZIG’s ordinary shares and any of its other capital stock that may then exist; (y) the Issuer will not, nor will it permit any of its subsidiaries to redeem any of its securities that rank *pari passu* with, or junior to, the Capital Notes; and (z) the Issuer will not, nor will it permit any of its subsidiaries to, make any discretionary guarantee payments with respect to any of its guarantees of the securities of any of its subsidiaries if such guarantee ranks *pari passu* with, or junior to, the Capital Notes.

As used herein “**ZIG Subordinated Debt**” means obligations of ZIG which rank or are expressed to rank junior to any senior, unsubordinated obligations of ZIG.

The restrictions set out above in this Condition 3(d) shall not apply to:

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

Further, the restrictions in (y) and (z) above shall not apply in the cases of (i) a Trigger Event in relation to Capital Notes where the securities otherwise ranking *pari passu* with the Capital Notes do not themselves contain a similar mandatory deferral or cancellation feature, (ii) where Intention Statement is applicable and the securities otherwise ranking *pari passu* with the Capital Notes themselves contain a Commercially Reasonable Efforts provision, (iii) a Solvency Event in relation to Capital Notes where the securities otherwise ranking *pari passu* with the Capital Notes do not themselves contain a substantially similar solvency event, (iv) interest becoming mandatorily due on such securities due to a provision analogous to provisions in Condition 3(e) below or otherwise where the terms of such securities do not permit the deferral of interest, or (v) at maturity of such securities. In the event of any of (i) to (iv) of this paragraph being applicable, the Issuer and ZIG will each provide a certificate signed by two Authorised Officers to the Trustee, the Agent and the Noteholders certifying which of (i) to (iv) above applies and that, as a result, the restrictions in (y) and (z) shall not apply which the Trustee shall rely on absolutely without liability to any person.

For the avoidance of doubt, Deferred Interest does not itself bear interest.

#### **(e) Settlement of Deferred Interest**

If the applicable Final Terms specify that Cash Settlement is applicable, the Issuer may (subject as provided below) elect at any time upon the expiry of not less than seven days' written notice to such effect given by the Issuer to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders, to pay in cash in whole or in part any Deferred Interest. However, any outstanding Deferred Interest will (subject as provided below) become immediately due and payable in cash in full (or in the case where limb (iv) of the definition of APM Deferred Settlement Date is specified as applying as part of the definition of Cash Deferred Settlement Date, on a proportionate basis) upon the Cash Deferred Settlement Date (as defined below).

Notwithstanding the foregoing, Deferred Interest shall only be due and payable if at the relevant time the prior written approval of FINMA or any Successor Authority to such payment has been given (if such approval is required under Applicable Regulations at the relevant time). If on the Cash Deferred Settlement Date no prior written approval as aforesaid has been given (if such approval is required under Applicable Regulations at the relevant time), the relevant Deferred Interest will be due and payable promptly following the obtaining of such written approval (if such approval is required under Applicable Regulations at the relevant time) and the giving of not more than 30 nor less than 15 days' notice to such effect by the Issuer to the Trustee and to Noteholders in accordance with Condition 13. References herein to "**Cash Deferred Settlement Date**" shall be construed accordingly to refer to such later date for payment.

If the applicable Final Terms specify that APM Settlement is applicable, the Issuer and ZIG may (subject as provided below in relation to Deferred Interest) elect at any time upon the expiry of not less than seven days' written notice to such effect given by the Issuer to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders, to use their commercially reasonable efforts to satisfy in whole or in part any Deferred Interest utilising the APM (as defined below) (subject to the limitations and conditions applicable to the APM) and, unless Deferred Interest has already been satisfied pursuant to the APM or cancelled in accordance with the applicable Final Terms, the Issuer and ZIG shall (subject as provided below in relation to Deferred Interest) use their commercially reasonable efforts to apply the APM (subject to the limitations and conditions applicable to the APM) to satisfy all (or, in the case where limb (iv) of the definition of APM Deferred Settlement Date applies, on a proportionate basis) of the outstanding Deferred Interest upon the APM Deferred Settlement Date (as defined below).

If the applicable Final Terms specify that APM Settlement is applicable in respect of Relevant Solvency Deferred Interest only, the Issuer and ZIG may (subject as provided below in relation to Relevant Solvency Deferred Interest) elect at any time upon the



expiry of not less than seven days' written notice to such effect given by the Issuer to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders, to use their commercially reasonable efforts to satisfy in whole or in part any Relevant Solvency Deferred Interest utilising the APM (as defined below) (subject to the limitations and conditions applicable to the APM) and, unless Relevant Solvency Deferred Interest has already been satisfied pursuant to the APM or cancelled in accordance with the applicable Final Terms, the Issuer and ZIG shall (subject as provided below in relation to Deferred Interest) use their commercially reasonable efforts to apply the APM (subject to the limitations and conditions applicable to the APM) to satisfy all (or, in the case where limb (iv) of the definition of APM Deferred Settlement Date applies, on a proportionate basis) of the outstanding Relevant Solvency Deferred Interest upon the APM Deferred Settlement Date (as defined below).

Notwithstanding the foregoing, the Issuer and ZIG will only be obliged to use their commercially reasonable efforts to satisfy any Deferred Interest or Relevant Solvency Deferred Interest, as applicable, as aforesaid if at the relevant time the prior written approval of FINMA or any Successor Authority to such payment has been given. If on the APM Deferred Settlement Date no prior written approval as aforesaid has been given, the Issuer and ZIG shall be obliged to use their commercially reasonable efforts to satisfy any Deferred Interest or Relevant Solvency Deferred Interest, as applicable, promptly following the obtaining of such written approval and the giving of not more than 30 nor less than 15 days' notice to such effect by the Issuer to the Trustee and to Noteholders in accordance with Condition 13. References herein to "**APM Deferred Settlement Date**" shall be construed accordingly to refer to such later date for payment.

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

As used herein:

"**APM Deferred Settlement Date**" means, subject as provided above and in Condition 3(c) in relation to Fixed Term Deferred Interest Payments, the first to occur of the following dates:

- (i) the date on which the Capital Notes are called for redemption pursuant to Condition 6 or substituted or varied pursuant to Condition 6(e);
- (ii) the date upon which a dividend is next declared or paid on any class of share capital of ZIG;
- (iii) (A) as soon as practicable after cash proceeds representing the full amount of Deferred Interest or Relevant Solvency Deferred Interest, as applicable, have been realised from the APM which will be implemented following the declaration or payment by ZIG of any dividends or other payments (including any nominal value reduction under Swiss law) on any of its ordinary shares or on any of its other capital stock that may then exist, except in the circumstances described in subparagraphs (i) to (v) of the fourth paragraph of Condition 3(d) or (B) in the event that the Ordinary Share Issuance Threshold, as applicable, has been met or a Market Disruption Event has occurred, in each case prior to the realisation of the full amount of Deferred Interest or Relevant Solvency Deferred Interest, as applicable, from such APM, in an amount equal to the actual cash proceeds realised at the time such threshold has been met or such Market Disruption Event has occurred, as applicable;
- (iv) the Interest Payment Date next following a full or partial payment of current or deferred interest on any Parity Obligation (except for any such current or deferred interest payment of which is compulsory in accordance with the terms of the relevant Parity Obligation (including as a result of the maturity of such obligation)), in which case the relevant proportion shall be equal to the result from the division of the amount of the full or partial payment actually paid on the Parity Obligation by the outstanding amount (current or deferred) of the payment to which such full or partial payment relates that is payable on the Parity Obligation when such payment is made in full (for the avoidance of doubt, the terms of other obligations issued by the Issuer may be such as not to make them qualify as Parity Obligations specifically for these purposes);
- (v) the date on which the Issuer is dissolved pursuant to Article 736 of the Swiss Code of Obligations (other than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer); or
- (vi) if none of the events referred to in (i), (ii), (iii), (iv) or (v) above have already occurred and the applicable Final Terms so provide, upon expiration of the time period specified in the applicable Final Terms following the date upon which deferral of the relevant Deferred Interest or Relevant Solvency Deferred Interest commenced.

"**Cash Deferred Settlement Date**" means, subject as provided above and in Condition 3(c) in relation to Fixed Term Deferred Interest Payments, the first to occur of the dates specified in paragraphs (i), (ii), (v) and, if so specified in the applicable Final Terms, (iv) and/or (vi) of the definition of "APM Deferred Settlement Date" above. If limb (vi) of the definition of APM Deferred Settlement Date is specified in the applicable Final Terms as being applicable in the context of the definition of either APM Deferred Settlement Date or Cash Deferred Settlement Date and the Issuer and ZIG become obliged to pay or, as appropriate, use their commercially reasonable efforts to satisfy Deferred Interest by way of the APM, as a result of limb (vi) of the definition of APM Deferred Settlement Date, then solely in respect of such Interest Payment and without prejudice to Condition 2, the Capital Notes rank senior to any existing or future obligations of the Issuer ("**other obligations**") that would otherwise have ranked pari

passu with the Capital Notes, if and to the extent payment of such Deferred Interest would otherwise be prohibited by any Restricted Payments Provision in such other obligations as a result of interest being outstanding with respect to such other obligations.

*In relation to Optionally Deferred Interest or Solvency Deferred Interest, if limb (vi) above is not specified in the applicable Final Terms as being applicable and if none of the events in limb (i) to (v) of such definition take place prior to the date specified in the applicable Final Terms for this purpose following the Interest Payment Date on which such Optionally Deferred Interest or Solvency Deferred Interest was originally deferred, the Issuer and ZIG intend to raise sufficient proceeds from the operation of the APM to satisfy any Optionally Deferred Interest or Solvency Deferred Interest.*

#### *Alternative Payment Mechanism*

The Issuer may elect at its discretion to satisfy on the relevant Interest Payment Date any Interest Payment that would otherwise have been due on such Interest Payment Date without application of Conditions 3(a), 3(b) and 3(c) with funds raised prior to the Interest Payment Date by way of an APM (as defined in Condition 3(e)).

If APM Settlement (as aforesaid) is applicable, the Issuer and ZIG shall satisfy their obligations in respect of Deferred Interest which falls due by way of the alternative payment mechanism (the “**APM**”), on the relevant APM Deferred Settlement Date, by the operation of Ordinary Share Settlement.

“**Ordinary Share Settlement**” means using cash proceeds from the sale, during the period of six months immediately prior to the relevant APM Deferred Settlement Date (the “**Relevant Period**”), of existing or newly issued ordinary shares of ZIG (the “**Payment Shares**”) which proceeds are made available by ZIG to the Issuer to make the relevant payment.

If APM Settlement (as aforesaid) is applicable, the Issuer shall (except in the case of a voluntary or involuntary insolvency, winding up, liquidation, dissolution or other similar proceedings of or against the Issuer) satisfy its obligations in respect of Deferred Interest only by operation of the APM in accordance with this Condition 3(e).

In the event of the Issuer and ZIG satisfying their obligations in respect of Deferred Interest by operation of the APM the Issuer shall certify, by delivering to the Trustee a certificate signed by two Authorised Officers of the Issuer, that in making use of such APM, the Issuer or ZIG was in compliance with its obligations under this Condition 3(e) which the Trustee shall rely on absolutely without liability to any person.

As used herein, “**Qualifying APM Securities**” means ordinary shares of ZIG (including, to the extent available, treasury stock purchased at least six months prior to the date of sale of such treasury stock).

#### *Restrictions relating to the APM*

Upon the Issuer and ZIG becoming obliged to use their commercially reasonable efforts to settle Deferred Interest using the APM pursuant to this Condition 3(e), the Issuer and ZIG will use their commercially reasonable efforts to satisfy such Deferred Interest by way of Ordinary Share Settlement. The Issuer and ZIG may only utilise the Ordinary Share Settlement to the extent that the number of Payment Shares used for the purposes of the APM in any 12-month period does not exceed 2 per cent (“**Ordinary Share Issuance Threshold**”) of ZIG’s outstanding share capital.

In the event of the Issuer and ZIG satisfying their obligations in respect of Deferred Interest by utilisation of Ordinary Share Settlement, the Issuer shall certify, by delivering to the Trustee a certificate signed by two Authorised Officers of the Issuer, that the Ordinary Share Issuance Threshold has not been exceeded which the Trustee shall rely on absolutely without liability to any person.

#### *Periods of Application of the APM*

Once the Issuer and ZIG have become obliged hereunder to use their respective commercially reasonable efforts to operate the APM to settle any Optionally Deferred Interest, Solvency Deferred Interest or Relevant Solvency Deferred Interest, the Issuer and ZIG shall continue to use their respective commercially reasonable efforts to raise sufficient proceeds from the operation of the APM for up to the period specified in the applicable Final Terms for this purpose following the relevant Deferred Settlement Date to the extent permitted under prevailing applicable regulatory criteria governing the Capital Notes. If there exists, in the Issuer’s reasonable opinion, a Market Disruption Event (as defined below), then the specified period described above shall be extended by a period equal to the time during which the Market Disruption Event exists plus 60 Zurich business days.

If the applicable Final Terms provide that Intention Statement is applicable, then the applicable Final Terms shall specify the period for which the Issuer and ZIG intend to continue voluntarily to operate the APM if for any reason this has not occurred within the original period of 30 days from the Interest Payment Date in relation to which a Trigger Event is occurring.

If and to the extent that the Issuer and/or ZIG have not issued Qualifying APM Securities to settle any Deferred Interest or Relevant Solvency Deferred Interest, as applicable, in full within such specified time period, or, if such time periods do not

otherwise apply, upon expiration of the period specified in the applicable Final Terms for this purpose after the date on which such Deferred Interest or Relevant Solvency Deferred Interest, as applicable, was originally deferred, the Issuer's obligation with respect to such unsettled Deferred Interest or Relevant Solvency Deferred Interest, as applicable, will be cancelled.

As used herein "**Market Disruption Event**" means the occurrence or existence of any of the following events or sets of circumstances: (i) the trading in the shares of ZIG generally on any internationally recognised exchange on which such securities are traded has been suspended or the settlement of such trading generally shall have been materially disrupted; (ii) a general moratorium shall have been declared on commercial banking activities or securities settlement systems in Switzerland, the U.S., the U.K. or the region comprised of member states of the European Union that adopted the euro in accordance with the Treaty establishing the European Community of 25 March 1957, as amended, as a result of which trading in shares of ZIG has been materially disrupted; (iii) there shall have occurred a change, event or circumstance that could be expected to result in a prospective change in Swiss taxation materially and adversely affecting the Issuer or ZIG, the ordinary shares of ZIG or the imposition of exchange controls by Switzerland; or (iv) there shall have occurred an outbreak or escalation of hostilities, any terrorist attacks or calamity or crisis, or any change or development involving or likely to involve a prospective change in national or international financial, political or economic conditions in any country, as a result of which trading in shares of ZIG has been materially disrupted. The Trustee shall be entitled to rely absolutely without liability to any person on a certificate given to it by two Authorised Officers of the Issuer as to the occurrence in the Issuer's reasonable opinion of a Market Disruption Event.

#### 4. Interest

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

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

Subject to Condition 3, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

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

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

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

"**Regular Period**" means:

- (i) in the case of Capital Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

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

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

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

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

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

If for any reason the Swap Rate Determination Agent at any time after the Issue Date defaults in its obligation to determine the Specified Mid Swap Rate, the Trustee shall determine the Specified Mid Swap Rate at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any minimum or maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances and any such determination shall be deemed to have been made by the Swap Rate Determination Agent.

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

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

### *(i) Interest Payment Dates*

Each Floating Rate Capital Note bears interest on its nominal amount from (and including) the Interest Commencement Date and such interest will be payable, subject to Condition 3, in arrear on either:

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

Such interest will be payable, subject to Condition 3, in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to but excluding the next Interest Payment Date).

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

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

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

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

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

*(ii) Rate of Interest*

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

**(A) ISDA Determination for Floating Rate Capital Notes**

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

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

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

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

**(B) Screen Rate Determination for Floating Rate Capital Notes**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

*(vi) Determination or Calculation by Trustee*

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

*(vii) Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Agent or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Agent, the other Paying Agents, the Registrar and any Transfer Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**(c) Accrual of Interest**

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

**(d) Recalculation of Interest**

If a tax deduction or withholding (collectively, a **“Tax Deduction”**) is required by law to be made by the Issuer in respect of any interest payable in respect of the Capital Notes and should Condition 7(a) be unlawful for any reason, the applicable Rate of Interest in relation to Interest Amounts payable for the period ending on that Interest Payment Date will, subject to the exceptions in Condition 7(b), be the Rate of Interest which would have otherwise been payable for the period ending on that Interest Payment Date divided by 1 minus the rate (expressed as a fraction of 1) at which the relevant Tax Deduction is required to be made and the Issuer will (i) be obligated to pay the relevant Interest Amount on that Interest Payment Date at the adjusted rate in accordance with this Condition 4(d) and (ii) make the Tax Deduction on the recalculated interest amount. Without prejudice to the foregoing, all references to a Rate of Interest in the Conditions shall be construed accordingly and all provisions in Condition 7 (other than Condition 7(a)) shall apply to the Tax Deduction on the recalculated interest payment (such recalculation is referred to herein as a **“Recalculation of Interest”**).

**5. Payments**

**(a) Method of Payment**

Subject as provided below:

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



Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in any jurisdiction (whether by operation of law or agreement of the Issuer or its Agents and neither the Issuer or its Agents will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements), but without prejudice to the provisions of Condition 7. References to “**Specified Currency**” will include any successor currency under applicable law.

#### **(b) Presentation of Capital Notes and Coupons**

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 5(a) above only against presentation and surrender (or, in the case of part payment only, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment only, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the U.S. (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Upon the date on which any Capital Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. Where any such Definitive Bearer Note is presented for redemption without all unmatured Coupons or Talons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

If the due date for redemption of any Definitive Bearer Note is not a Fixed Interest Date or an Interest Payment Date, interest (if any) accrued in respect of such Definitive Bearer Note from (and including) the preceding Fixed Interest Date or Interest Payment Date or, as the case may be, the Interest Commencement Date shall, subject to Condition 3, be payable only against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Bearer Note.

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

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

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

- (i) the Issuer has appointed Paying Agents with specified offices outside the U.S. with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the U.S. of the full amount of principal and interest on the Capital Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the U.S. is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under U.S. law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

Payments of principal in respect of Registered Notes (whether in individual or global form) will be made in the manner provided in Condition 5(a) above against presentation and surrender (or, in the case of part payment of any sum due only, endorsement) of such Registered Global Note or Individual Registered Notes at the specified office of the Registrar or at the specified office of any Paying Agent. Payments of interest due on a Registered Note will be made to the person in whose name such Capital Note is registered (i) where in global form, at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Days means Monday to Friday inclusive except 25 December and 1 January, and (ii) where in individual form, at the close of business on the 15th day (whether or not such 15th day is a business day (being for the purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) (the “**Record Date**”). In the case of payments by cheque, cheques will be mailed to the holder (or the first named of joint holders) at such holder’s registered address on the due date. If payment is required by credit or transfer as referred to in Condition 5(a) above, application for such payment must be made by the holder to the Registrar not later than the relevant Record Date.

### (c) Payment Day

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

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

### (d) Interpretation of Principal and Interest

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

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

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

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

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

### (f) Definition

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

## 6. Redemption and Purchase

### (a) At Maturity

Each Capital Note which is specified in the applicable Final Terms as being a Dated Capital Note (“**Dated Capital Notes**”), unless previously redeemed or purchased and cancelled as specified below, will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms together, if applicable, with interest accrued to the date fixed for redemption and, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, any applicable Deferred Interest on the Maturity Date provided that, in the case of Dated Capital Notes if so specified in the applicable Final Terms, if a Solvency Event has occurred and is continuing on the Maturity Date or would occur as a result of the relevant redemption, the Dated Capital Notes shall not be redeemed, unless the prior written approval of FINMA or any Successor Authority for such payment has been given. In such circumstances, if a Solvency Event has occurred and is continuing on the Maturity Date and no prior written approval as aforesaid has been given, each such Dated Capital Note will be redeemed by the Issuer promptly following either the obtaining of such written approval or no Solvency Event continuing (including following the relevant redemption) and the giving of not more than 30 nor less than 15 days’ notice to such effect by the Issuer to Noteholders in accordance with Condition 13. References herein to “**Maturity Date**” shall be construed accordingly to refer to such later date of

redemption and for the avoidance of doubt, interest shall continue to accrue (without compounding) as provided in Condition 4 on any such Dated Capital Note until such later date of redemption.

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

Each Capital Note which is specified in the applicable Final Terms as an Undated Capital Note (“**Undated Capital Notes**”) is perpetual and has no fixed maturity date and is only redeemable or repayable in accordance with the following provisions of this Condition 6 or Condition 9.

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

The Capital Notes may, subject to Condition 6(h), be redeemed at the option of the Issuer prior to the first Optional Redemption Date in whole, but not in part, at any time (if this Capital Note is not a Floating Rate Capital Note) or on any Interest Payment Date (if this Capital Note is a Floating Rate Capital Note) at the relevant Regular Redemption Price or, as appropriate, Special Redemption Price referred to below, together, if applicable, with interest accrued to the date fixed for redemption and, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, any applicable Deferred Interest, on giving not less than 30 nor more than 60 days’ notice to the Trustee and the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) on the occasion of the next payment due under the Capital Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of (a) any law or regulation in existence on the Issue Date (in which case the Special Redemption Price specified in the applicable Final Terms shall apply) or (b) change in, or amendment to, the laws or regulations of the Relevant Jurisdiction (as defined below) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Capital Notes (a “**Tax Law Change**”) (in which case the Regular Redemption Price specified in the applicable Final Terms shall apply); and in the case of both (a) and (b) such obligation cannot be avoided by the Issuer taking such reasonable measures available to it as it (acting in good faith) deems appropriate, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Capital Notes then due;
- (ii) on the occasion of the next payment of interest due under the Capital Notes, the Issuer would not be able to obtain a tax deduction for the purposes of Swiss corporation tax for that payment as a result of (a) any law or regulation in existence on the Issue Date (in which case the Special Redemption Price specified in the applicable Final Terms shall apply) or (b) a Tax Law Change (in which case the Regular Redemption Price specified in the applicable Final Terms shall apply) and in the case of both (a) and (b) such cannot be avoided by the Issuer taking such reasonable measures available to it as it (acting in good faith) deems appropriate; or
- (iii) on the occurrence of a Recalculation of Interest which (a) arises as a result of a Tax Law Change, in which case the Regular Redemption Price specified in the applicable Final Terms shall apply or (b) arises otherwise than as a result of a Tax Law Change, in which case the Special Redemption Price specified in the applicable Final Terms shall apply; and in the case of both (a) and (b) such Recalculation of Interest cannot be avoided by the Issuer taking such reasonable measures available to it as it (acting in good faith) deems appropriate, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Capital Notes then due.

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

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to such effect and the Trustee shall be entitled to accept the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Noteholders and the Couponholders.

In these Conditions, “**Relevant Jurisdiction**” means Switzerland.

### (c) Redemption for Other Reasons

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

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

As used herein:

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

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

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

**“Regulatory Event”** means, in respect of Undated Capital Notes, the occurrence of any of the following events which occurrence cannot be avoided by the Issuer taking such reasonable measures as the Issuer (acting in good faith) deems appropriate:

- (A) prior to the implementation of the Future Regulations, FINMA or any Successor Authority states that the Capital Notes are no longer eligible to qualify as at least upper additional capital (*“oberes ergänzendes Kapital”*) pursuant to Art. 49 in connection with Art. 39 of the SPICO (as defined below), and no longer fulfil the requirements for such category, or equivalent thereof, for group or solo solvency purposes; or
- (B) with effect from the implementation of the Future Regulations, the Capital Notes do not qualify, or initially qualify but cease to so qualify, as at least Tier Two own funds (or equivalent) under such Future Regulations (or an official application or interpretation of those regulations including a decision of a court or tribunal); or
- (C) FINMA or any Successor Authority issues guidance after the Issue Date in relation to Tier 1 Capital (*“Kernkapital”*) qualifying instruments for group or solo solvency purposes (by way of law, ordinance, regulation or interpretation thereof), and FINMA or any Successor Authority affords the Capital Notes recognition as Tier 1 Capital (*“Kernkapital”*) for group or solo solvency purposes, and at a subsequent time FINMA or any Successor Authority states that the Capital Notes no longer fulfil the requirements of Tier 1 Capital (*“Kernkapital”*),

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

**“Regulatory Event”** means, in respect of Dated Capital Notes, the occurrence of any of the following events which occurrence cannot be avoided by the Issuer taking such reasonable measures as the Issuer (acting in good faith) deems appropriate:

- (A) prior to the implementation of the Future Regulations, FINMA or any Successor Authority states that the Capital Notes are no longer eligible to qualify as at least lower additional capital pursuant to Art. 49 in connection with Art. 39 of the SPICO (as defined below), and no longer fulfil the requirements for such category, or equivalent thereof, for group or solo solvency purposes; or

- (B) with effect from the implementation of the Future Regulations, the Capital Notes do not qualify, or initially qualify but cease to so qualify, as at least Tier Two own funds (or equivalent) under such Future Regulations (or an official application or interpretation of those regulations including a decision of a court or tribunal); or
- (C) FINMA or any Successor Authority issues guidance after the Issue Date in relation to Tier 1 Capital (“*Kernkapital*”) qualifying instruments for group or solo solvency purposes (by way of law, ordinance, regulation or interpretation thereof), and FINMA or any Successor Authority affords the Capital Notes recognition as Tier 1 Capital (“*Kernkapital*”) for group or solo solvency purposes, and at a subsequent time FINMA or any Successor Authority states that the Capital Notes no longer fulfil the requirements of Tier 1 Capital (“*Kernkapital*”),

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

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

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

“**Tier 1 Capital**” means core capital (“*Kernkapital*”) pursuant to Art. 48 SPICO.

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

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

#### **(d) Redemption at the Option of the Issuer**

Subject to Condition 6(h), the Issuer may, having given:

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

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

#### **(e) Substitution or Variation**

If any of the events described in Condition 6(b) or 6(c) has occurred and is continuing, then the Issuer may, subject to Condition 6(h), (without any requirement for the consent or approval of the Noteholders) and subject to having satisfied the Trustee immediately prior to the giving of such notice referred to herein that the provisions of this Condition 6(e) have been complied with and having given not less than seven days’ written notice to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), at any time either substitute all (but not some only) of the Capital Notes for, or

vary the terms of the Capital Notes so that they remain or, as appropriate, become, Qualifying Securities and the Trustee shall (subject as provided below and to the following provision of this Condition 6(e) being complied with and subject further to the receipt by the Trustee of a certification by the Authorised Officers of the Issuer referred to below) agree to such substitution or variation. In connection therewith, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, all applicable Deferred Interest (if any) will be satisfied by operation of the APM or otherwise, as applicable.

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

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

- (a) having terms (including terms providing for deferral and/or cancellation of payment of interest and/or principal) that are not materially less favourable to an investor than the terms of the Capital Notes (as reasonably determined by the Issuer after consulting an independent investment bank of international standing, and provided that a certification to such effect of two Authorised Officers of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities); and
- (b) issued by the Issuer or issued by another member of the Zurich Insurance Group with a guarantee by the Issuer, such that investors have the same material rights and claims as provided by the Capital Notes (as reasonably determined by the Issuer, and provided that a certification to such effect of two Authorised Officers shall have been delivered to the Trustee prior to the issue of the relevant securities); and
- (c) ranking at least equal to the Capital Notes and featuring the same principal amount, interest rate (including applicable margins and step-up), Interest Payment Dates and Optional Redemption Dates as the Capital Notes; and
- (d) containing terms which preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of and amounts payable on, such redemption; and
- (e) which do not contain any terms providing for loss absorption through principal write-down or conversion to ordinary shares, unless the triggers are objective and measurable; and
- (f) listed on an internationally recognised stock exchange, if the Capital Notes were listed prior to such substitution or variation.

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

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

#### **(f) Purchases**

The Issuer or any of its Subsidiaries (as such term is defined in the Trust Deed) may, subject to Condition 6(h) and, in the case of Restricted Capital Notes subject to Condition 10(j), at any time purchase Capital Notes (provided that, in the case of Definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Capital Notes may be held, resold or, at the option of the Issuer, surrendered to any Paying Agent or the Registrar for cancellation.

#### **(g) Cancellation**

All Capital Notes which are redeemed or purchased and surrendered for cancellation will forthwith be cancelled (together, in the case of Definitive Bearer Notes, with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Capital Notes so cancelled (together in the case of Definitive Bearer Notes with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

## (h) Conditions to Redemption, Substitution, Variation and Purchase

The Issuer may only redeem a Capital Note, or substitute or vary it in accordance with Condition 6(e) (and the persons referred to in Condition 6(f) may only purchase a Capital Note) if FINMA or any Successor Authority has given (and has not subsequently withdrawn) its consent to the redemption (or substitution or variation or purchase as appropriate) to the extent such consent is required or otherwise has not objected to such redemption (or substitution or variation or purchase).

## 7. Taxation

### (a) Additional Amounts

All payments of principal, premium and interest in respect of the Capital Notes will be made free and clear of, and without any Tax Deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed by Switzerland or any subdivision thereof (“**Taxes**”) or required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”), unless the Issuer is compelled by law and/or by agreement of the Issuer to make such Tax Deduction. In the event of such Tax Deduction, the Issuer will pay such additional amounts (the “**Additional Amounts**”) as will result (after such Tax Deduction) in receipt by the Noteholders of such sums as the Noteholders would have received if no Tax Deduction had been required.

### (b) Exceptions

However, no such Additional Amounts or interest recalculated pursuant to Condition 4(d) shall be payable with respect to such Taxes in respect of any Noteholder:

- (i) if Capital Notes other than Restricted Capital Notes are issued;
- (ii) if the Capital Note is presented for payment by or on behalf of a Noteholder which is liable to such taxes, duties, assessments or governmental charges in respect of that Capital Note by reason of it having some connection with the Relevant Jurisdiction other than the mere holding of that Capital Note;
- (iii) if the Capital Note is presented for payment more than 30 days after the Relevant Date (as defined below), except to the extent that the relevant holder would have been entitled to payment of such Additional Amounts or recalculated interest if it had presented its Capital Note for payment on the 30th day after the Relevant Date, on the assumption if such is not the case, that such last day is a Business Day;
- (iv) where such Tax Deduction is imposed on a payment to an individual or a residual entity and (y) is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive or (z) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the European Council Directive 2003/48/EC, including, but not limited to, the agreement between the European Community and the Confederation of Switzerland dated as of 26 October 2004, or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements;
- (v) in respect of any U.S. federal withholding tax that is imposed, assessed, levied or collected by reason of Section 1471 through 1474 of the Code (or any regulations promulgated thereunder or administrative interpretations thereof or agreement with any Relevant Jurisdiction or the U.S. relating thereto);
- (vi) where such withholding or deduction is imposed on a payment and is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation proposed by the Swiss Federal Council on 24 August 2011, in particular the principle to have a person other than the Issuer withhold or deduct the tax, including, without limitation, any paying agent;
- (vii) where such withholding or deduction is required to be made pursuant to any agreements between Switzerland and other countries on final withholding taxes (*internationale Quellensteuern*) levied by a paying agent in respect of an individual resident in the other country on interest or capital gain paid, or credited to an account, relating to a Capital Note; or
- (viii) if the Capital Note is presented for payment by or on behalf of a Noteholder which would have been able to avoid such Tax Deduction by presenting the Capital Note to a Paying Agent in another Member State of the European Union;
- (ix) (if so specified in the applicable Final Terms) if the payment could have been made to the relevant Noteholder without a Tax Deduction if it were a Qualifying Lender (as defined below), but on that date that Noteholder is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Noteholder under these Conditions in (or in the interpretation, administration, or application of) any law or double taxation treaty, or any published practice or concession of any relevant taxing authority; or

- (x) if the payment could have been made without a Tax Deduction if the Noteholders had complied with Conditions 10(j) and 10(k) (if Condition 10(j) is expressed in the applicable Final Terms to apply).

**(c) Evidence**

Within 30 days of making either a Tax Deduction or a payment required in connection with a Tax Deduction, the Issuer shall deliver to the relevant Noteholder evidence satisfactory to that Noteholder (acting reasonably) that the Tax Deduction has been made or (as applicable) the appropriate payment has been paid to the relevant taxing authority.

**(d) Refund**

If the Issuer is required to make a Tax Deduction and the relevant Noteholder (acting in good faith) determines that (i) a Tax refund for such Tax Deduction is available to it and it has retained that Tax refund, that Noteholder shall pay within 10 Business Days after such Tax refund an amount to the Issuer which that Noteholder determines (in its sole discretion) will leave it (after that payment) in the same after-tax position as it would have been if the payment of the Additional Amount had not been required to be made by the Issuer.

**(e) Definitions**

As used in the Conditions:

**“Guidelines”** means, together, the guideline “Interbank Loans” of 22 September 1986 (S-02.123) (*Merkblatt “Verrechnungssteuer auf Zinsen von Bankguthaben, deren Gläubiger Banken sind (Interbankguthaben)” vom 22. September 1986*); the guideline “Bonds” of April 1999 (S 02.122.1) (*Merkblatt “Obligationen” vom April 1999*); the guideline “Syndicated Loans” of January 2000 (S-02.128) (*Merkblatt “Steuerliche Behandlung von Konsortialdarlehen, Schuldscheindarlehen, Wechseln und Unterbeteiligungen” vom Januar 2000*); the circular letter No. 15 (1-015-DVS-2007) of 7 February 2007 in relation to bonds and derivative financial instruments as subject matter of Swiss federal income tax, Swiss federal withholding tax and Swiss federal stamp taxes (*Kreisschreiben Nr. 15 “Obligationen und derivative Finanzinstrumente als Gegenstand der direkten Bundessteuer, der Verrechnungssteuer und der Stempelabgaben” vom 7. Februar 2007*) and the circular letter “Deposits” of 26 July 2011 (1-034-V-2011) (*Kreisschreiben Kundenguthaben vom 26. Juli 2011*), each as issued, and as amended from time to time, by the Swiss federal tax authorities.

**“Non-Bank Rules”** means the Ten Non-Bank Rule and the Twenty Non-Bank Rule (each as defined below).

**“Permitted Non-Qualifying Lender”** means in respect of a Series of Restricted Capital Notes a person or entity which is not a Qualifying Bank on the date it becomes a Noteholder and:

- (i) is initially a Permitted Non-Qualifying Lender (if any) specified in the applicable Final Terms (for so long as that Permitted Non-Qualifying Lender continues to be a Noteholder in accordance with the Conditions), or
- (ii) is a successor of an initial Permitted Non-Qualifying Lender, or any subsequent successor thereof, by way of Transfer (as defined in Condition 10(j)) of all but not some only of the Capital Notes held by such initial Permitted Non-Qualifying Lender, or such subsequent successor thereof (for so long as that successor continues to be a Noteholder in accordance with the Conditions), which:
  - (A) has prior to its becoming a Noteholder, satisfied all obligations to be fulfilled by a proposed Permitted Non-Qualifying Lender in accordance with Condition 10(j), provided that:
    - (a) within ten (10) Business Days of notification to it by the existing Permitted Non-Qualifying Lender of the identity of such proposed Permitted Non-Qualifying Lender, the Issuer may, as a condition precedent to such proposed Permitted Non-Qualifying Lender becoming a Noteholder:
      - (i) request from that proposed Permitted Non-Qualifying Lender a confirmation that it has disclosed to the Issuer all facts relevant to the determination as to whether it would be a Permitted Non-Qualifying Lender and would constitute one (1) person only for purposes of the Non-Bank Rules; and
      - (ii) irrespective of whether a request is made in accordance with paragraph (A)(a)(i) above, request from that proposed Permitted Non-Qualifying Lender a tax ruling of the Swiss Federal Tax Administration (at the cost of the existing Permitted Non-Qualifying Lender or the proposed Permitted Non-Qualifying Lender), confirming to the Issuer’s satisfaction that such proposed Permitted Non-Qualifying Lender does constitute one (1) person only for purposes of the Non-Bank Rules; and
    - (b) the Issuer, acting reasonably, shall confirm within ten (10) Business Days of notification of all facts (if a request in accordance with paragraph (A)(a)(i) above has been made) or receipt of a tax ruling (if a request in accordance with



paragraph (A)(a)(ii) above has been made) whether or not such disclosure, or such tax ruling, as the case may be, is satisfactory and, in the absence of such confirmation, the Issuer shall be deemed to have confirmed such disclosure, or such tax ruling, as the case may be, is so satisfactory on the tenth (10th) Business Day after receipt hereof or thereof; and

(B) has, simultaneously with becoming a Noteholder, succeeded the existing Permitted Non-Qualifying Lender as “Permitted Non-Qualifying Lender” under all, but not some only, Restricted Capital Notes of the respective Series and under any and all other existing or future Series of Restricted Capital Notes, or similar instruments, between the Issuer and the existing Permitted Non-Qualifying Lender (or any successor thereof).

“**Permitted Non-Qualifying Lenders**” means in respect of a Series of Restricted Capital Notes the number of Permitted Non-Qualifying Lenders specified in the applicable Final Terms.

“**Qualifying Bank**” means a person or entity which (a) effectively conducts banking activities with its own infrastructure and staff as its principal business purpose and which has a banking licence in full force and effect issued in accordance with the banking laws in force in its jurisdiction of incorporation, or if acting through a branch, issued in accordance with the banking laws in the jurisdiction of such branch and (b) is organised under the laws of a country which is a member of the Organisation for Economic Co-operation and Development (OECD).

“**Qualifying Lender**” means a Noteholder which is a Qualifying Bank or a Permitted Non-Qualifying Lender.

“**Relevant Date**” means whichever is the later of the date on which the payment in question first becomes due and, if the full amount payable has not been received by the Agent on or prior to that due date, the date on which notice of receipt of the full amount has been given to the Noteholders in accordance with Condition 13.

“**Restricted Capital Notes**” means Capital Notes issued in accordance with Conditions 10(j) and 10(k).

“**Tax Deduction**” has the meaning set out in Condition 4(d).

“**Ten Non-Bank Rule**” means the rule that the aggregate number of Noteholders under a Series of Restricted Capital Notes which are not Qualifying Banks must not at any time exceed ten, in each case in accordance with the meaning of the Guidelines.

“**Twenty Non-Bank Rule**” means the rule that the aggregate number of the Issuer’s lenders (including Noteholders), other than Qualifying Banks, under all outstanding debts relevant for classification as debenture (*Kassenobligation*), such as intra-Group loans, facilities and/or private placements (including under Restricted Capital Notes and Capital Notes not classified as a taxable bond (*Anleihensobligation*)) must not at any time exceed twenty, in each case in accordance with the meaning of the Guidelines.

*Under existing law, ZIC is obliged to withhold the Swiss federal withholding tax on any payment of interest in respect of a Capital Note at the current rate of 35 per cent. On 24 August 2011 the Swiss Federal Council issued draft legislation, which, if enacted, would remove such obligation entirely. Instead, the obligation would be imposed on any paying agent in Switzerland (as defined in the proposed new law) but only if the payment of interest in respect of a Capital Note were made to an individual resident in Switzerland or to any person (not only individual) resident outside Switzerland. In all other cases no withholding obligation would arise under the proposed new law.*

## 8. Prescription

The Capital Notes and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

## 9. Dissolution Event

### (a) Dissolution Event

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent in nominal amount of the Capital Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders shall (but, in each case, subject to the Trustee having been indemnified and/or secured to its satisfaction), give notice to the Issuer that the Capital Notes are immediately due and repayable at an amount equal to the principal amount of such Capital Note together with accrued interest and, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, any applicable Deferred Interest if the following event (“**Dissolution Event**”) shall have occurred: a resolution is passed or an order of a court of competent jurisdiction is made that the Issuer be wound up or dissolved otherwise than for the purpose of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or as a result of a Permitted Reorganisation (a “**Dissolution Event**”).

## **(b) Proceedings for Winding-up**

If the Capital Notes become due and repayable (whether pursuant to Condition 9(a), Condition 6 or otherwise) and are not paid when so due and repayable, the Trustee may at its discretion participate in, but not itself institute, proceedings for the winding-up of the Issuer and may take no further action to enforce the obligations of the Issuer for payment of any principal or interest (including, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, applicable Deferred Interest, if any) in respect of the Capital Notes.

No payment in respect of the Capital Notes may be made by the Issuer pursuant to Condition 9(a), nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer.

## **(c) Enforcement**

Without prejudice to Condition 9(a) or 9(b) above and, in the case of Restricted Capital Notes, subject to Conditions 10(j) and 10(k), the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed, the Capital Notes or the Coupons (other than any obligation for the payment of any principal or interest in respect of the Capital Notes or the Coupons) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

## **(d) Rights of Noteholders**

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

## **(e) Extent of Noteholders' Remedy**

No remedy against the Issuer other than as referred to in this Condition 9, shall be available to the Trustee or the Noteholders or Couponholders, whether for the recovery of amounts owing in respect of the Capital Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Capital Notes or under the Trust Deed.

In this Condition: **"Permitted Reorganisation"** means an amalgamation, merger, consolidation, reorganisation or other similar arrangement entered into by the Issuer under which:

- (a) the whole or a substantial part of the business, undertaking and assets of the Issuer are transferred to, and all the liabilities and obligations of the Issuer are assumed by, the new or surviving entity either:
  - (A) automatically by operation of applicable law; or
  - (B) by means of the new or surviving entity assuming all of the obligations of the Issuer under the terms of the Trust Deed and the Notes and as fully as if (and to the same extent in terms of ranking in a winding-up) it had been named in the Trust Deed and the Notes in place of the Issuer, and,
- (b) the new or surviving entity will immediately after such amalgamation, merger, consolidation, reorganisation or other similar arrangement be subject to the same regulation and supervision by the same regulatory authority (if any) as the Issuer was subject to immediately prior thereto.

## **10. Exchange of Capital Notes, transfer of Registered Global Notes, interests in Reg. S Notes, Individual Registered Notes and Replacement of Notes, Coupons and Talons**

### **(a) Exchange of Bearer Notes for Registered Notes**

If so specified in the applicable Final Terms, a Bearer Note in definitive form may be exchanged for Registered Notes of like aggregate nominal amount (in individual registered form) by submission of a duly completed request for exchange substantially in the form provided in the Agency Agreement (an **"Exchange Request"**), copies of which are available from the specified office of the Registrar or any Transfer Agent, together with the Definitive Bearer Note and all unmatured Coupons and Talons appertaining thereto, to a Transfer Agent at its specified office. Within five business days (being for this purpose, a day on which commercial banks and foreign exchange markets are open for business in the jurisdiction of the relevant Transfer Agent) of the request, in relation to Individual Registered Notes for which the Definitive Bearer Note is to be exchanged, the relevant Transfer Agent will authenticate and deliver, or procure the authentication and delivery of, at its specified office to the holder or (at the risk of the holder) send by mail to such address as may be specified by the holder in the Exchange Request, the Individual Registered Note(s) of a like aggregate nominal amount to the Definitive Bearer Note(s) exchanged and will enter the exchange of the Definitive

Bearer Note(s) in the Register maintained by the Registrar as of the date which is 40 days after the date on which any Temporary Global Note is issued (the “**Exchange Date**”).

Exchange Requests may not be presented on or after the Record Date (as defined in Condition 5(b)) in respect of any Interest Payment Date up to and including such Interest Payment Date. Interest on Individual Registered Notes issued on exchange will accrue as from the immediately preceding Interest Payment Date, as the case may be. No exchanges of Bearer Notes for Registered Notes or interests in Registered Global Notes will be permitted for so long as the Bearer Notes are represented by a Temporary Global Note.

**(b) Exchange of interests in Registered Global Notes for Individual Registered Notes**

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

**(c) Transfers of Registered Global Notes**

Transfers of a Registered Global Note shall be limited to transfers of such Registered Global Note, in whole but not in part, to a nominee of Euroclear or Clearstream, Luxembourg or to a successor of any of them or such successor’s nominee.

**(d) Transfers of interests in Reg. S Notes**

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of an interest in, a Reg. S Note to a transferee in the U.S. will only be made pursuant to the U.S. Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the U.S., and in accordance with any applicable securities laws of any state of the U.S. or any other jurisdiction.

After expiry of the applicable Distribution Compliance Period such certification requirements will no longer apply to such transfers.

**(e) Exchanges and transfers of Registered Notes generally**

Registered Notes may not be exchanged for Bearer Notes.

Transfers of interests in Reg. S Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in a Reg. S Global Note will be transferable and exchangeable for Individual Registered Notes or for an interest in another Reg. S Global Note only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg (the “**Applicable Procedures**”).

Upon the terms and subject to the conditions set forth in the Agency Agreement, an Individual Registered Note may be transferred in whole or in part (in the authorised Denominations set out in the applicable Final Terms) by the holder or holders surrendering the Individual Registered Note for registration of the transfer of the Individual Registered Note (or the relevant part of the Individual Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and upon the Registrar or, as the case may be, the relevant Transfer Agent, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer and the Registrar, or as the case may be, the relevant Transfer Agent may with the prior approval of the Trustee prescribe, including any restrictions imposed by the Issuer on transfers of Registered Notes in individual form originally sold to a U.S. person. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Individual Registered Note of a like aggregate nominal amount to the Registered Note (or the relevant part of the Individual Registered Note) transferred. In the case of the transfer of part only of an Individual Registered Note, a new Individual Registered Note in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

Exchanges or transfers by a holder of an Individual Registered Note for an interest in, or to a person who takes delivery of such Individual Registered Note through, a Reg. S Global Note will be made no later than 60 days after the receipt by the Registrar or, as the case may be, the relevant Transfer Agent of the Individual Registered Note to be so exchanged or transferred and, if applicable, upon receipt by the Registrar of a written certification from the transferor.

**(f) Registration of transfer upon partial redemption**

In the event of a partial redemption of Capital Notes under Condition 6(d), the Issuer shall not be required:

- (i) to register the transfer of Registered Notes (or parts of Registered Notes) during the period beginning on the sixty-fifth day before the date of the partial redemption and ending on the date on which notice is given specifying the serial numbers of Capital Notes called (in whole or in part) for redemption (both inclusive); or
- (ii) to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

**(g) Closed periods**

No Noteholder may require the transfer of a Registered Note to be registered during the period of 30 days ending on the due date for any payment of principal or interest on that Capital Note.

**(h) Costs of exchange or registration**

The transfer of a Capital Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require from the Noteholder in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

**(i) Replacement of Capital Notes, Coupons and Talons**

Should any Capital Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, in the case of a Bearer Note or Coupon, or the Registrar, in the case of an Individual Registered Note, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 13, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Capital Notes, Coupons or Talons must be surrendered before replacements will be issued.

**(j) Restrictions on Transfer of Certain Capital Notes**

- (i) If the applicable Final Terms designate the Capital Notes as Restricted Capital Notes, (but not otherwise) the provisions of this Condition 10(j) shall apply and the Restricted Capital Notes will be issued as Registered Notes and may only be assigned or transferred, including upon an enforcement of a security, (a “**Transfer**” and “**Transferred**” shall be construed accordingly):
  - (a) in whole or in part, if the Transfer is to a Qualifying Bank, or
  - (b) in whole, but not in part (except for parts of Restricted Capital Notes held by Qualifying Banks at the time), if the Transfer is to a Permitted Non-Qualifying Lender,

provided that no Transfer under this Condition 10(j) may result in more Permitted Non-Qualifying Lenders being Noteholders than as specified in the applicable Final Terms.

The Restricted Capital Notes will bear a legend setting forth the applicable transfer restrictions provided for in this Condition 10(j).

- (ii) A Noteholder may at any time require that the Issuer replaces such Noteholder’s certificate(s) representing the Restricted Capital Notes with certificates in minimum denominations equal to the Restricted Capital Note Minimum Denomination Amount specified in the applicable Final Terms.
- (iii) Restricted Capital Notes may only be Transferred in amounts equal to the Restricted Capital Note Transfer Amount specified in the applicable Final Terms.
- (iv) Any Transfer of a Restricted Capital Note shall be recorded by the Registrar in the Register on production of:
  - (a) the relevant certificate representing the Restricted Capital Note and certification delivered to the Registrar by the transferee to the effect that it is a Qualifying Bank or Permitted Non-Qualifying Lender; and

(b) such other evidence as the Issuer may require.

Any Transfer of a Restricted Capital Note shall only be effective and shall only be recorded by the Registrar in the Register if such Restricted Capital Note is Transferred in accordance with this Condition 10(j).

- (v) Subject to this Condition 10(j), no Noteholder shall at any time enter into any arrangement with another person under which such Noteholder transfers all or part of its interest in the Restricted Capital Notes to that other person, unless under such arrangement throughout the life of such arrangement:
- (a) the relationship between the Noteholder and that other person is that of debtor and creditor (including in the bankruptcy or similar event of that Noteholder or the Issuer),
  - (b) the other person will have no proprietary interest in the benefit of the Restricted Capital Notes or in any monies received by the Noteholder under or in relation to the Restricted Capital Notes held by that Noteholder, and
  - (c) the other person will under no circumstances (other than by way of permitted Transfer under this Condition 10(j) be subrogated to, or substituted in respect of, the Noteholder's claims under its Capital Notes, and otherwise have any contractual relationship with, or rights against, the Issuer under or in relation to the Restricted Capital Notes.

For the avoidance of doubt, the granting of security in accordance with Condition 10(k) shall not constitute a transfer of an interest under the Restricted Capital Notes for the purposes of this Condition 10(j).

- (vi) As of the Issue Date and for so long as the Restricted Capital Notes are outstanding, the Issuer will ensure that it is in compliance with the Non-Bank Rules, provided that the Issuer will not be in breach if either of the Non-Bank Rules are exceeded solely by the failure by one or more Noteholders to comply with the limitations set forth in this Condition 10(j) or in Condition 10(k).

#### **(k) Grants of Security**

If the applicable Final Terms provide that the Capital Notes are Restricted Capital Notes then the following provisions of this Condition 10(k) shall apply but not otherwise. Any Noteholder may, without the consent of the Issuer, at any time charge or create a security interest in all or any portion of its rights under any Restricted Capital Notes to secure obligations of such Noteholder; provided that:

- (i) no such charge or creation of a security interest shall:
  - (a) substitute any such chargee or holder of the benefit of such security interest for such Noteholder as Noteholder except in accordance with the provisions of Condition 10(j); or
  - (b) require any payments to be made by the Issuer other than as required by the Restricted Capital Notes. A copy of any notice of charge or creation of security interest as envisaged in this paragraph shall be delivered to the Agent and the Agent shall not be obliged to take any action in regard to such notice; and
- (ii) such charge or security interest shall in each case provide that upon any assignment or transfer of the interest in the Restricted Capital Notes or enforcement of such charge or security interest, any resulting assignment or transfer shall be in accordance with Condition 10(j); and
- (iii) the Noteholder promptly notifies the Registrar of any such charge or security interest and the secured party's identity and status by delivering to the Registrar a notification to such effect.

#### **11. Agent, Paying Agents, Transfer Agents and Registrar**

The names of the initial Agent, the other initial Paying Agents, the initial Registrar and the initial Transfer Agents and their initial specified offices are set out below.

The Issuer is, with the prior written approval of the Trustee (such approval not to be unreasonably withheld), entitled to vary or terminate the appointment of any Paying Agent, Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrars or Transfer Agents and/or approve any change in the specified office through which any Paying Agent, Registrar or Transfer Agent acts, provided that:

- (i) so long as the Capital Notes are listed on any stock exchange, there will at all times be a Paying Agent and a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;

- (ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in continental Europe;
- (iii) there will at all times be an Agent and a Registrar;
- (iv) there will at all times be a Transfer Agent having a specified office in a place approved by the Trustee;
- (v) the Issuer undertakes that it will ensure that it maintains a Paying Agent and a Registrar in an EU member state (if any) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced to conform to, such Directive; and
- (vi) if legislation is enacted in Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation proposed by the Swiss Federal Council on 24 August 2011, in particular, the principle to have a person other than the Issuer withhold or deduct tax, the Issuer will use reasonable efforts to make payments in respect of the Notes through a Paying Agent outside Switzerland, provided that the use of such Paying Agent outside Switzerland would eliminate any Swiss withholding tax that would otherwise apply to payments from the Issuer.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the penultimate paragraph of Condition 5(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency or where the Paying Agent is not, or ceases to be, a FATCA Compliant Entity, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

Notwithstanding the foregoing, the Issuer will in respect of any Listed Swiss Franc Capital Notes at all times maintain a Principal Paying Agent having a specified office in Switzerland and will at no time maintain a Paying Agent having a specified office outside Switzerland, unless permitted by applicable law.

As used herein:

**"FATCA Compliant Entity"** means a person payments to whom are not subject to FATCA Withholding; and

**"FATCA Withholding"** means any amount required to be withheld or deducted pursuant to the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions and any regulations and official guidance issued thereunder) pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service.

## 12. Exchange of Talons

On and after the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date (as the case may be) on which the final Coupon of the relative Coupon sheet matures.

## 13. Notices

All notices regarding the Bearer Notes shall be published (i) in a leading English language daily newspaper of general circulation in London, (ii) if and for so long as such Bearer Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange, on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), (iii) (in the case of Listed Swiss Franc Capital Notes) in a leading newspaper of general circulation in Switzerland which is expected to be the *Feuille Officielle Suisse du Commerce* and in a daily newspaper in each of Zurich and Geneva. It is expected that such publication will be made (in the case of (i) above) in the *Financial Times* in London or any other daily newspaper in London approved by the Trustee or, if this is not possible, in another English language daily newspaper approved by the Trustee with general circulation in Europe and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange, listing authority and/or quotation system by which the Capital Notes are for the time being admitted to listing, trading and/or quotation. To the extent required by Luxembourg law, notices shall also be published in the *Mémorial C, Recueil des Sociétés et Associations* ("**Mémorial C**").

In the case of Bearer Notes and Registered Notes, if and to the extent required by the Luxembourg law of 11 January 2008 relating to transparency obligations of issuers of securities implementing Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC as amended, notices will also be published in accordance with the provisions of such law and implementing provisions. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the first date on

which publication in all the required newspapers has been made. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the relative Noteholders in accordance with this Condition.

All notices to holders of Registered Notes will be valid if sent by first-class mail or (if posted to an overseas address) by air-mail to their registered addresses appearing on the Register. Any such notice shall be deemed to have been given on the fourth day after the day on which it is mailed. If and for so long as the relevant Registered Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange, all notices regarding Registered Notes shall be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Until such time as any definitive Notes are issued, there may, so long as the global Note(s) is or are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Capital Notes and in addition, for so long as any Capital Notes are listed on the Luxembourg Stock Exchange, a notice will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). Any such notice shall be deemed to have been given to the holders of the Capital Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Capital Notes shall be in writing and given by lodging the same, together with the relative Capital Note or Capital Notes, with the Agent. Whilst any of the Capital Notes are represented by a Global Note, such notice may be given by any holder of a Capital Note to the Agent and/or the Registrar via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and/or the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

#### **14. Meetings of Noteholders, Modification and Waiver, Entitlement of Trustee, Substitution, Change and Indemnification of Trustee**

##### **(a) Single Noteholder**

In relation to any Restricted Capital Notes so long as there is only one Noteholder thereof, who shall certify to the Trustee that it is the sole Noteholder of the Capital Notes and is not holding such Notes as a depositary for, or nominee of, Euroclear, Clearstream, Luxembourg on or prior to any such amendment, waiver or variation being made (i) no amendment, waiver or variation of the Capital Notes or the Trust Deed may be made without the prior written consent of such Noteholder and parties to the Trust Deed and (ii) the meeting, quorum and voting provisions of Condition 14(b) shall not apply.

##### **(b) Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of such Capital Notes, the relative Coupons or any relevant provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Trustee or at the request of Noteholders holding not less than 10 per cent in nominal amount of the Capital Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent in nominal amount of the Capital Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Capital Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Trust Deed, the Capital Notes or Coupons (including modifying the dates for redemption of the Capital Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Capital Notes, varying the method of calculating the rate of interest on the Capital Notes or altering the currency of payment of the Capital Notes or Coupons, varying, amending or granting a waiver in relation to Condition 2, 3, 4, 5 or 6, modifying the provisions concerning the quorum required at any meeting of the Noteholders or the majority required to pass an Extraordinary Resolution or modifying the percentage required to pass any resolution), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Capital Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third, in nominal amount of the Capital Notes for the time being outstanding. An Extraordinary Resolution duly passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on the relevant Couponholders. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 75 per cent in nominal amount of Capital Notes outstanding shall be as valid and effective as a duly passed Extraordinary Resolution. The provisions for convening meetings of Noteholders contained in the Trust Deed shall not apply to Listed Swiss Franc Capital Notes.

The provisions of Articles 1157-1186 of the Swiss Code of Obligations will apply to all meetings of holders of Capital Notes.

##### **(c) Modification and Waiver**

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification (subject to certain exceptions as provided in the Trust Deed) of, or to any waiver or authorisation of any breach or

proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of these Terms and Conditions of the Capital Notes, the Coupons or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and Couponholders and, unless the Trustee agrees otherwise, any such modification, waiver, authorisation or determination shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

#### **(d) Powers and Discretions**

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except, in the case of the Issuer, to the extent provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

The Trust Deed contains provisions permitting the Trustee to agree, without the consent of the Noteholders or the Couponholders, to the substitution at any time or times of the Issuer as the principal debtor under the Trust Deed and the Capital Notes and Coupons. The Issuer may at any time with the agreement of the Trustee as aforesaid, without the consent or approval of the Noteholders, substitute for itself as principal debtor under the Capital Notes a successor in business to the Issuer or such substitute, being a duly licensed and regulated entity that carries on the business of an insurance company within the Zurich Insurance Group.

The Issuer may only transfer its obligations under the Capital Notes if (i) the rating assigned by both Moody's Investors Service, Inc. ("**Moody's**") and Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("**S&P**") or its successor to the transferee's senior unsecured debt is equal to or higher than the senior unsecured debt rating of the Issuer immediately after such transfer (it being understood that if such senior unsecured debt is rated by only one of Moody's or S&P or their respective successors immediately prior to such transfer, then only the then existing rating must be equal to or higher than the corresponding ratings immediately after such transfer) and the transferee is an affiliate of ZIG and is engaged in the same line of business that the Zurich Insurance Group is engaged in on the date of such transfer or (ii) the transfer is approved by the holders of the Capital Notes in the manner set out in Condition 14(a) above, provided that the foregoing shall not preclude the Issuer from transferring its obligations under the Capital Notes where such transfer is pursuant to the transfer of substantially all of the Issuer's assets and obligations to another entity pursuant to any merger, consolidation or corporate reorganisation or by operation of law in which case neither the rating condition nor the approval of the holders of the Capital Notes will be required.

Notwithstanding the above, by subscribing to or purchasing the Capital Notes, the Noteholders expressly consent to the substitution of the Issuer on the conditions referred to above and expressly consent to the release of the Issuer from any and all obligations in respect of the Capital Notes and are deemed to have expressly accepted such substitution. Such agreement shall be subject to the relevant provisions of the Trust Deed.

The Trust Deed contains general provisions for the retirement and removal of the Trustee and the appointment by the Issuer of a substitute issuer which has previously been approved by the Trustee.

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.

#### **15. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes having terms and conditions the same as the Capital Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Capital Notes.

#### **16. Governing Law and Submission to Jurisdiction**

- (a) The Trust Deed (other than the provisions relating therein to subordination which shall be governed by, and construed in accordance with, the laws of Switzerland), the Capital Notes (other than the provisions of Condition 2 which shall be governed by, and construed in accordance with, the laws of Switzerland) and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.



- (b) The Issuer has agreed in the Trust Deed, for the exclusive benefit of the Trustee, the Noteholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Capital Notes and/or the Coupons and that accordingly any suit, action or proceedings (together referred to as "Proceedings") arising out of or in connection with the Capital Notes and the Coupons may be brought in such courts.
- (c) The Issuer has irrevocably waived in the Trust Deed any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum.
- (d) Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- (e) The Issuer has appointed Zurich Insurance plc, UK branch at its registered office for the time being as its agent for service of process in respect of any Proceedings in England and has undertaken in the Trust Deed that, in the event of Zurich Insurance plc, UK branch ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings in England.
- (f) Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.
- (g) In respect of Listed Swiss Franc Capital Notes only, the Issuer and the Trustee have agreed in the Trust Deed for the benefit of the Noteholders and the Couponholders to the additional jurisdiction of the courts of the City of Zurich, venue Zurich 1, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.

#### **17. Contracts (Rights of Third Parties) Act 1999**

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

## USE OF PROCEEDS

The net proceeds from each issue of Notes by ZF (Luxembourg) will be used either to refinance existing debt of the Zurich Insurance Group or, alternatively, for general corporate purposes, in each case outside Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

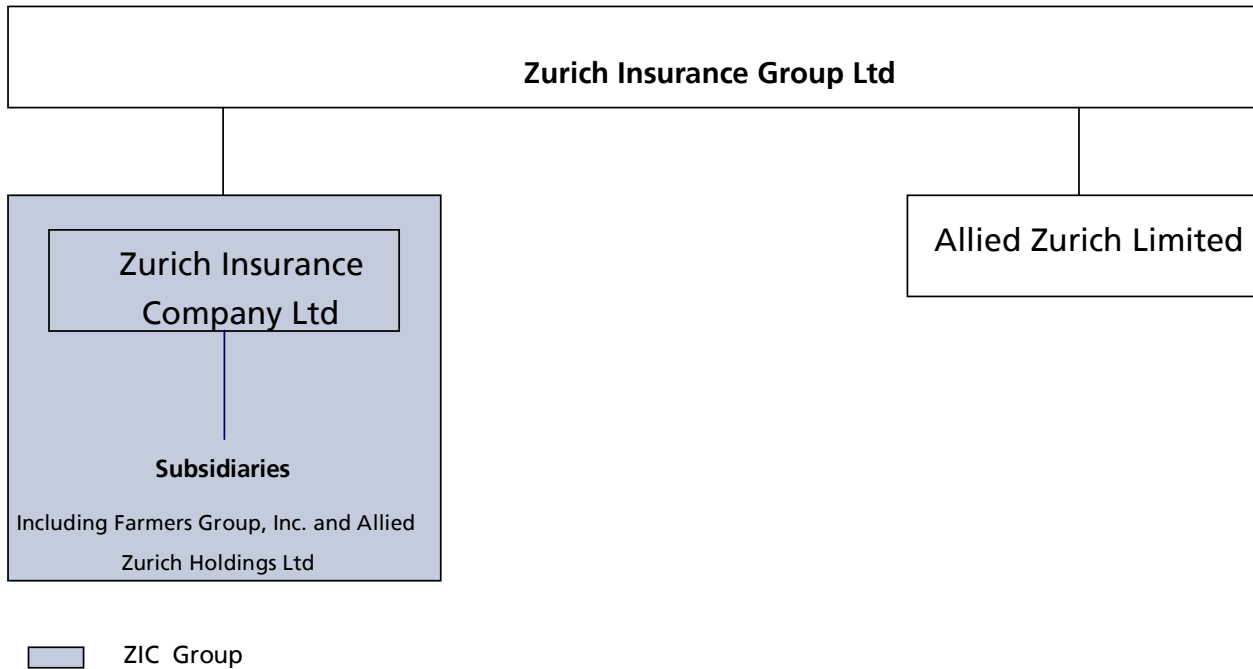
The net proceeds from each issue of Notes and Capital Notes by ZIC will be used in Switzerland to refinance existing debt of ZIC or, alternatively, for general corporate purposes.

The net proceeds from each issue of Notes by ZF (UK) will be used either to refinance existing debt of the Zurich Insurance Group or, alternatively, for general corporate purposes, in each case outside Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

# ZURICH INSURANCE COMPANY LTD

## GENERAL INFORMATION

### Overview of the ZIC Group structure



ZIC is a public limited liability company (*Aktiengesellschaft*) founded for an unlimited duration and operating under the Swiss Code of Obligations and Swiss insurance law and regulation and incorporated in the commercial register of the Canton of Zurich, Switzerland on 16 July 1884. Its registered office is at Mythenquai 2, CH-8002 Zurich, Switzerland (telephone: +41 44 625 25 25) and its registered number is CH-020.3.929.583-0. The articles of incorporation of ZIC date from 6 April 2009. The purpose of ZIC is to conduct all kinds of insurance and reinsurance businesses, except for direct life insurance business. The fiscal year of ZIC begins on 1 January and terminates on 31 December of each year.

ZIC Group is a provider of insurance-based products which also distributes non-insurance products from selected third-party providers. The ZIC Group operates mainly in Europe, the USA, Latin America and Asia Pacific through subsidiaries, branch and representation offices. ZIC as such has a dual function, firstly as an insurer, operating through branch offices in Switzerland and other countries, and secondly as a holding company.

ZIC is owned by ZIG, the ultimate parent company of the ZIC Group. ZIG is a public limited liability company (*Aktiengesellschaft*) under Swiss Law and is incorporated in Zurich, Switzerland. Its registered office is at Mythenquai 2, CH-8002 Zurich, Switzerland. ZIG has a listing on the SIX Swiss Exchange.

### Share Information

The share capital of ZIC amounts to CHF 825,000,000, divided into 82,500,000 issued and fully paid-up registered shares with a par value of CHF 10 each. The transfer of shares is subject to the board of directors' consent. The board of directors may further delegate such consent.

ZIC paid an ordinary dividend of CHF 2.5 billion on 9 April 2014 in respect of the financial year 2013. In 2013, ZIC paid an ordinary dividend of CHF 2.2 billion in respect of the financial year 2012 and in 2012 an ordinary dividend of CHF 2.4 billion in respect of the financial year 2011.

### Notices

Notices are given by ZIC by publication in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*). Notices to shareholders are given by ZIC by ordinary mail to the addresses registered in the share register unless otherwise provided by law or the articles of incorporation of ZIC.

### Business and Strategy

The ZIC Group's strategy for 2014-2016 is designed to deliver sustainable, profitable growth in a changing and more competitive business environment. It builds on the ZIC Group's strength and places customers and their needs at the center of the business.

The ZIC Group is investing for growth in mature and emerging markets with the highest potential, managing other businesses for value, and growing operating earnings by further reducing complexity and operational costs while extracting additional profits from the business and investments. As a provider of insurance-based products, the ZIC Group also distributes non-insurance products, such as mutual funds and other financial services products, from selected third-party providers. The ZIC Group operates mainly in Europe, the USA, Latin America and Asia Pacific through subsidiaries, branch offices and representations.

## The Segments

The ZIC Group pursues a customer-centric strategy and is managed on a matrix basis, reflecting both businesses and geography. The ZIC Group's operating segments have been identified on the basis of the businesses operated by the ZIC Group and how these are strategically managed to offer different products and services to specific customer groups. Segment information is presented accordingly. The ZIC Group's reportable segments are as follows:

- General Insurance provides a variety of motor, home and commercial products and services for individuals, as well as small and large businesses.
- Global Life pursues a strategy of providing market-leading, unit-linked protection and corporate propositions through global distribution and proposition pillars to develop leadership positions in its chosen segments.
- Farmers, through Farmers Group, Inc. and its subsidiaries (FGI), provides non-claims related management services to the Farmers Exchanges. FGI receives fee income for the provision of services to the Farmers Exchanges, which are owned by their policyholders and managed by Farmers Group, Inc. a wholly owned subsidiary of the ZIC Group. This segment also includes all reinsurance assumed from the Farmers Exchanges by the ZIC Group. Farmers Exchanges are prominent writers of personal and small commercial lines of business in the U.S.

For the purpose of discussing financial performance the ZIC Group considers General Insurance, Global Life and Farmers to be its core business segments.

Other Operating Businesses predominantly consist of the ZIC Group's Headquarter and Holding and Financing activities. Certain alternative investment positions not allocated to business operating segments are included within Holding and Financing.

Non-Core Businesses include insurance and reinsurance businesses that the ZIC Group does not consider core to its operations and that are therefore mostly managed to achieve a beneficial run-off. Non-core businesses are mainly situated in the U.S., Bermuda, and the UK.

## The ZIC Group Key Segmental Information

Audited consolidated figures of the ZIC Group

in USD millions, as reported for the year ended 31 December 2013	Gross written premiums and policy fees	Total BOP <sup>1</sup> revenues	Net income/(loss) before income taxes
General Insurance .....	36,438	32,983	3,135
Global Life .....	13,916	31,229	1,702
Farmers .....	4,045	7,095	1,510
Other Operating Businesses .....	109	1,080	(436)
Non-Core Businesses.....	535	341	192
Total ZIC Group(*) .....	54,849	70,996	6,103

\* The Total ZIC Group information is presented after elimination of the inter-segment transactions, and as such does not reflect the sum of segment figures.

<sup>1</sup>Business Operating Profit (BOP): This measure is the basis on which business units are managed. It indicates the underlying performance of the business units, after non-controlling interests, by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains on investments and impairments (except for the capital markets and property lending / banking operations included in Non-Core Businesses and investments in hedge funds, certain securities held for specific economic hedging purposes and policyholders' share of investment results for the life businesses) and non-operational foreign exchange movements. Significant items arising from special circumstances, including restructuring charges, charges for litigation outside the ordinary course of business and gains and losses on divestments of businesses, impairments of goodwill and the change in estimates of earn-out liabilities (with the exception of experience adjustments, which remain within BOP) are also excluded from BOP.

## The ZIC Group Key Financial Information

<b>in USD millions</b>	<b>As at or for the year ended 31 December 2013 (audited)</b>	<b>As at or for the year ended 31 December 2012 - as restated (unaudited)</b>	<b>As at or for the year ended 31 December 2012 restatements (unaudited)*</b>	<b>As at or for the year ended 31 December 2012 - as previously reported (audited)</b>
Gross written premiums and policy fees .....	54,849	53,977	0	53,977
Net written premiums and policy fees.....	48,303	47,496	0	47,496
Net investment result on Group investments .....	7,504	9,059	72	8,987
Net income before income taxes.....	6,103	5,596	9	5,587
Net income after taxes attributable to shareholders.....	4,127	3,971	9	3,963
Total investments .....	341,783	333,249	(438)	333,687
Reserves for insurance contracts.....	265,440	265,233	0	265,233
Shareholders' equity.....	31,851	33,896	11	33,885

\*For details please refer to "Restatements and reclassifications" below. For more information please refer to tables 1.2 and 1.3 of the ZIC Group's annual report 2013 page 66 and 67.

### Restatements and reclassifications

The table above also shows the impacts of the restatement as a result of implementing IAS 19 "Employee Benefits" and IFRS 10 "Consolidated Financial Statements" on the consolidated income statement for the year ended 31 December 2012 and the consolidated balance sheet as of 31 December 2012. Consolidated income statements, consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and notes 6, 9, 11, 13, 17, 18, 19, 21, 22, 25, 26, 28 and 29 of the ZIC Group's annual report 2013 have been restated accordingly. The information in the consolidated financial statements of the ZIC Group as of and for the years ended 31 December 2012 and 2011 included in the ZIC Group's annual report 2012 has not been restated for these impacts.

The presentation of deferred bonuses allocated to policyholders had been aligned across the ZIC Group. There was no impact to the ZIC Group's consolidated income statement. As a result of this alignment, there was a corresponding reduction in both deferred front-end fees and deferred policy acquisition costs. The impact of the reduction in deferred policy acquisition costs is set-out in note 12 of the ZIC Group's annual report 2013.

The presentation of indemnity commission has been aligned across the ZIC Group with no impact on the ZIC Group's consolidated income statement. As a result of this alignment, there is a transfer from receivables and other assets to deferred policy acquisition costs. The impact of the increase in deferred policy acquisition costs is set-out in note 12 of the ZIC Group's annual report 2013.

### Subsequent Events

#### *Result release*

On 15 May 2014, ZIG, the ultimate parent company of ZIC, published its unaudited consolidated interim financial statements as of and for the three-month period ended 31 March 2014.

#### *Changes to the Board of Directors*

On 2 April 2014 the Ordinary General Meeting newly elected Christoph Franz to the Board of Directors. Victor L.L. Chu and Rolf Watter confirmed their retirement from the Board of Directors. Tom de Swaan was re-elected as Chairman for a further term of office of one year. In its constituent meeting held after the General Meeting, the Board of Directors re-elected Fred Kindle as Vice-Chairman.

#### *2014 Dividend payment*

The ZIG Annual General Meeting approved a gross dividend of CHF 17.00 per share on 2 April 2014. This gross dividend represented a 69 per cent payout of 2013 earnings to shareholders, and was paid out from the capital contribution reserve within shareholders' equity during the second quarter of 2014.

#### *Zurich to streamline organisation in line with strategic priorities*

Further progress was made during April 2014 on ZIG's initiative for organisational alignment to reduce both complexity and costs. This will result in a loss of a maximum of approximately 800 jobs throughout the global organisation. Related consultation processes are about to be closed. The changes are expected to lead to restructuring provisions of approximately USD 100 million, largely impacting 2014.

### **Amendments to and implementation of new accounting standards**

The following amendments to accounting standards and interpretations of standards relevant to the ZIC Group have been implemented for the financial year beginning 1 January 2013 with no material impact on ZIC Group's financial position or performance:

- IFRS 10 "Consolidated Financial Statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosure of Interests in Other Entities"
- IFRS 13 "Fair Value Measurement"
- Amendments to IAS 1 "Presentation of items of Other Comprehensive Income (OCI)"
- Amendments to IAS 19 "Employee Benefits"
- Amendments to IAS 27 "Separate Financial Statements"
- Amendments to IAS 28 "Investments in Associates and Joint Ventures"
- Amendments to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities"

The following new accounting standards or amendments to and interpretations of standards relevant to ZIC Group have been implemented for the financial year beginning 1 January 2014 with no material impact on ZIC Group's financial position or performance:

- IFRIC 21 "Levies" will be effective for annual periods beginning on or after 1 January 2014.
- Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" will be effective for annual periods beginning on or after 1 January 2014.
- Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" will be effective for annual periods beginning on or after 1 January 2014.

The following standard is not yet effective and the impact on the consolidated financial statements will be assessed in conjunction with the revised standard IFRS 4 "Insurance Contracts":

- IFRS 9 "Financial Instruments" (effective date is pending).

### **Appropriation of Available Earnings**

On 2 April 2014, it was approved at the annual general meeting of ZIC to pay out a dividend of CHF 2,500,000,000 and to carry forward available earnings of CHF 6,611,181,760.

**Board of Directors of ZIC (as at the date of this Base Prospectus)**

<u>Name</u>	<u>Nationality</u>	<u>Function</u>	<u>Principal Occupation</u>
Tom de Swaan.....	Dutch	Chairman of the Board	<p><b>Skills and experience:</b> Mr. de Swaan has served in the banking industry of The Netherlands for over 40 years. He joined De Nederlandsche Bank N.V. in 1972 and from 1986 until 1998 was a member of the governing board. In January 1999, he became a member of the managing board and chief financial officer of ABN AMRO Bank. He retired from ABN AMRO in May 2006, but continued as an advisor to the managing board until June 2007. Between 1987 and 1988, Mr. de Swaan was chairman of the Amsterdam Financial Center and from 1995 to 1997 chairman of the banking supervisory sub-committee of the European Monetary Institute. He was also a member of the Basel Committee on Banking Supervision from 1991 to 1996, its chairman from 1997 to 1998 and a non-executive director on the board of the UK's Financial Services Authority from January 2001 until the end of 2006. He has been a member of the Boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd since April 2006. In March 2012 he was elected Vice-Chairman, acting as Chairman from August 2013 on. He was elected Chairman of the Board in September 2013.</p> <p><b>Committee membership:</b> Governance and Nominations Committee (Chairperson), Remuneration Committee.</p> <p><b>Other directorships within the Zurich Insurance Group:</b> Zurich Insurance Group Ltd, Zurich Insurance plc.</p> <p><b>External appointments:</b> Mr. de Swaan has been a non-executive member of the board of GlaxoSmithKline Plc since 2006. He has been a member of the supervisory board of Royal DSM, a Netherlands-based nutrition group, since 2006 and chairman of the supervisory board of Van Lanschot NV, the holding company of F. van Lanschot Bankiers, an independent Dutch bank, since 2008. In addition Mr. de Swaan is chairman of the board of the Netherlands Cancer Institute, chairman of the board of trustees of the Van Leer Jerusalem Institute and acts as director of certain other non-profit organisations. He is also a member of the advisory board of China Banking Regulatory Committee in Beijing and a member of the International Advisory Board of the National Bank of Kuwait since 2007.</p> <p><b>Educational background:</b> Mr. de Swaan graduated from the University of Amsterdam with a master's degree in economics.</p>
Fred Kindle.....	Citizen of Fürstentum Liechtenstein and Switzerland	Vice-Chairman of the Board	<p><b>Skills and experience:</b> Mr. Kindle began working as a marketing project manager with Hilti AG in Liechtenstein from 1984. From 1988 until 1992, he was a consultant with McKinsey &amp; Company in New York and Zurich. He then joined Sulzer Chemtech AG in Switzerland as the head of the Mass Transfer Department and in 1996 became the head of the Product Division. In 1999, he was appointed CEO of Sulzer Industries, one of the two operating groups of Sulzer AG. Two years later he became CEO of Sulzer AG, where he also served as a board member. After joining ABB Ltd. in 2004, Mr. Kindle was appointed CEO of ABB Group in January 2005, a position he held until February 2008. He then became a partner of Clayton, Dubilier &amp; Rice LLP, a private equity firm based in New York and London. He has been a member of the Boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd since April 2006. He was elected Vice-Chairman in September 2013.</p> <p><b>Committee membership:</b> Governance and Nominations</p>

Committee, Audit Committee.

**Other directorships within the Zurich Insurance Group:** Zurich Insurance Group Ltd.

**External appointments:** In his capacity as a partner of Clayton, Dubilier & Rice, Mr. Kindle has served as a chairman of Exova Ltd., Scotland since 2008 and as a chairman of BCA Group, United Kingdom since 2010. He has also been on the board of VZ Holding Ltd., Zurich since 2002 and Stadler Rail AG, Bussnang since 2008.

**Educational background:** Mr. Kindle graduated from the Swiss Federal Institute of Technology (ETH) in Zurich with a master's degree in engineering and holds an MBA from Northwestern University, Evanston, United States.

**Skills and experience:** Ms. Bies began her career in 1970 as regional and banking structure economist with the Federal Reserve Bank of St. Louis, Missouri and two years later became assistant professor of economics at Wayne State University, Detroit, Michigan. In 1977, she moved to Rhodes College, Memphis, Tennessee, in a similar role and in 1979 joined First Tennessee National Corporation in Memphis, where she remained until 2001. During the early years, her areas of responsibility included tactical planning and corporate development. In 1984, she became chief financial officer and chairman of the asset/liability committee. In 1995, she became executive vice president of risk management and auditor and chairman of the risk management committee, as well as continuing her duties with the asset/liability committee. From 2001 until 2007, she was a member of the board of governors of the Federal Reserve System. Between 1996 and 2001, Ms. Bies was a member of the Emerging Issues Task Force of the Financial Accounting Standards Board. She has been a member of the Boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd since April 2008.

**Committee membership:** Risk Committee (Chairperson), Audit Committee.

**Other directorships within the Zurich Insurance Group:** Zurich Insurance Group Ltd, Zurich Holding Company of America, Inc.

**External appointments:** Susan Bies has served as a member of the board of directors of The Bank of America Corporation since June 2009, and joined the board of directors of Merrill Lynch International, London, a subsidiary of Bank of America Corporation, in 2013. She has also been a member of the Senior Advisory Board of Oliver Wyman since 2009. Susan Bies is a member of the board of trustees of the Global Association of Risk Professionals (GARP).

**Educational background:** Ms. Bies graduated with a BS degree from the State University College at Buffalo, New York and with a MA degree from Northwestern University, Evanston, where she later gained a PhD.

**Skills and experience:** Dame Alison Carnwath has substantial financial industry experience. She began her career with Peat Marwick Mitchell, now KPMG, in 1975 to 1980 and practiced as a chartered accountant. From 1980 to 1982, she worked as a corporate financier for Lloyds Bank International. From 1982 to 1993, she was Assistant Director, then Director at J. Henry Schroder Wagg & Co in London and New York. From 1993 to 1997, Dame Alison Carnwath was a Senior Partner at the financial advisory firm Phoenix Partnership. The firm was

Susan Bies ..... American      Member of the Board

Dame Alison Carnwath ..... British      Member of the Board



taken over by Donaldson Lufkin Jenrette (DLJ) in late 1997; Dame Alison Carnwath continued working for DLJ until 2000. Dame Alison Carnwath has held several board offices. From 2000 to 2005, she was the Chairman of the board of Vitec Group plc, from 2001 to 2006 a director of Welsh Water, from 2004 to 2007 of Friends Provident plc, from 2004 to 2007 of Gallaher Group and from 2007 to 2010, she was the independent Chairman of MF Global Inc. She also served on the boards of directors of Barclays from 2010 to 2012, and of Man Group plc from 2001 to 2013. She has been a member of the Boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd since March 2012. She was awarded a Dame of the British Empire (DBE) in the 2014 New Years Honours List in the UK.

**Committee membership:** Remuneration Committee, Risk Committee.

**Other directorships within the Zurich Insurance Group:** Zurich Insurance Group Ltd.

**External appointments:** Dame Alison Carnwath has been a Senior Advisor of Evercore Partners since 2011 and an independent Chairman of ISIS Equity Partners LLP since 2000. She has been a Chairman of the Board of Land Securities Group plc since 2008 and a member of the board of PACCAR Inc. since 2005. Dame Alison Carnwath is also a Trustee of the British Library. In September 2013, she was appointed to the advisory council of the St George's Society in New York.

**Educational background:** Dame Alison Carnwath graduated in economics and German from the University of Reading. She was also awarded an honorary doctorate (LLB) from the University of Reading.

Rafael del Pino..... Spanish      Member of the Board

**Skills and experience:** Mr. del Pino possesses more than 30 years of international management experience. From 1992 to 1999, he was CEO of Grupo Ferrovial and in 1999, he was appointed executive vice-chairman. In 2000, Mr. del Pino assumed the position of executive chairman and managing director of Ferrovial S.A. During his career at Ferrovial he has transformed the company from a mostly domestic construction company to a leading provider of infrastructure services around the world. In addition, Mr. del Pino was a member of the board of Banesto (Banco Español de Crédito S.A.) from 2003 to 2012. He has been a member of the Boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd since March 2012.

**Committee membership:** Governance and Nominations Committee, Remuneration Committee.

**Other directorships within the Zurich Insurance Group:** Zurich Insurance Group Ltd.

**External appointments:** Mr. del Pino has been a member of the International Advisory Board of Blackstone since 2007. He also maintains contact with the academic world through membership on the MIT Corporation, the International Advisory Board of IESE and the European Advisory Board of Harvard Business School.

**Educational background:** Mr. del Pino graduated in civil engineering from the Universidad Politécnica Madrid and obtained an MBA from MIT Sloan School of Management.

Thomas K. Escher..... Swiss      Member of the Board

**Skills and experience:** Mr. Escher has extensive experience in the fields of information technology and

banking. He joined IBM in 1974 and had managerial responsibility for several international markets. In 1996, Mr. Escher joined Swiss Bank Corporation as a member of the executive board and was CEO for the major market region in Switzerland and for the information technology organisation. Following the merger of Swiss Bank Corporation and Union Bank of Switzerland to form UBS AG in 1998, he headed the IT business area of the wealth management and business banking division until mid-2005 as a member of the group managing board. Mr. Escher assumed the function of vice-chairman in the Business Group Global Wealth Management & Swiss Bank of UBS AG in 2005. He has been a member of the Boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd since April 2004.

**Committee membership:** Remuneration Committee (Chairperson), Governance and Nominations Committee

**Other directorships within the Zurich Insurance Group:** Zurich Insurance Group Ltd

**External appointments:** Mr. Escher has been a member of the board of directors of Silent-Power AG of Cham, Switzerland, a company in the alternative energy field, since 2012, and its Chairman since 2013. Furthermore Mr. Escher has been the president of the Genossenschaft zum Rüden since 2010.

**Educational background:** Mr. Escher graduated in electrical engineering and in Business Administration from the Swiss Federal Institute of Technology (ETH).

**Skills and experience:** Mr. Franz started his professional career in 1990 at Lufthansa AG. From 1994 until 2004 he held different executive functions at Deutsche Bahn AG, among others as member of the executive board and CEO of the passenger transport division. In 2004 he became CEO of Swiss International Air Lines AG, and in 2009 was promoted to the role of Deputy Chairman of the executive board of Deutsche Lufthansa AG and CEO Passenger Airlines. In 2011, Mr. Franz became Chairman of the executive board and CEO of Deutsche Lufthansa AG. He will hold these roles until the end of April 2014. He became a member of the Boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2014.

**Other directorships within the Zurich Insurance Group:** Zurich Insurance Group Ltd.

**External appointments:** Christoph Franz was elected Chairman of the Board of Roche Holding Ltd on March 4, 2014. He is also Vice-Chairman of Swiss Intl. Airlines AG and a member of the Board of Directors of Stadler Rail AG.

**Educational background:** Mr. Franz studied industrial engineering at the Technical University Darmstadt (Germany) and completed his studies with a PhD in economic sciences (Dr. rer. pol.) at the same university. He also studied at the Ecole Centrale de Lyon and the Ecole Supérieure de Commerce de Lyon (France) and did a post-doctorate research stint at the University of California, Berkeley.

Christoph Franz..... German      Member of the Board

Monica Mächler..... Swiss      Member of the Board

**Skills and experience:** Monica Mächler has substantial legal, regulatory and governance expertise in a national and international context. Monica Mächler served as Vice-Chair of the Board of Directors to the integrated Swiss Financial Market Supervisory Authority (FINMA) from 2009 to 2012, after having been the Director of the Swiss Federal Office of Private Insurance from 2007 to 2008. From 2010 to 2012, Ms. Mächler chaired the Technical Committee of the International Association of

Insurance Supervisors (IAIS). She assumed the roles of Group General Counsel and Head of the Board Secretariat of Zurich Insurance Group from 1999 to 2006 and was appointed a member of the Group Management Board in 2001 after joining in 1990. During the years 1985 to 1990 she was in private practice specialising in banking and business law. Monica Mächler has been a member of several Swiss federal expert commissions on regulatory projects and is regularly speaking, lecturing as well as publishing on international business law and regulation and their impact. She has been a member of the Boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd since April 2013.

**Committee membership:** Governance and Nominations Committee, Risk Committee.

**Other directorships within the Zurich Insurance Group:** Zurich Insurance Group Ltd.

**External appointments:** Ms. Mächler has been a member of the Supervisory Board of Directors of Deutsche Börse AG since May 2012. She also serves on the Advisory Board of the International Center for Insurance Regulation at the Goethe University Frankfurt am Main.

**Educational background:** Monica Mächler earned her JD at the University of Zurich's Law School and complemented her studies by attending programs on UK, U.S. and private international law. She is admitted to the bar of the Canton of Zurich.

Don Nicolaisen..... American      Member of the Board

**Skills and experience:** Mr. Nicolaisen has substantial expertise in accounting, auditing and financial reporting. He joined Price Waterhouse in 1967 (which subsequently became PricewaterhouseCoopers or PwC) and was admitted to partnership in 1978. He served in various capacities, including as an auditor and as chairman of their financial services practice. Mr. Nicolaisen also led PwC's national office for accounting and Securities and Exchange Commission services from 1988 to 1994 and served on both the U.S. and global boards of PwC from 1994 to 2001. From September 2003 to November 2005, he was Chief Accountant of the U.S. Securities and Exchange Commission and was principal adviser to the Commission on accounting and auditing matters. He has been a member of the Boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd since April 2006.

**Committee membership:** Audit Committee (Chairperson), Risk Committee.

**Other directorships within the Zurich Insurance Group:** Zurich Insurance Group Ltd, Zurich Holding Company of America, Inc.

**External appointments:** Mr. Nicolaisen has been a member of the board of directors of Verizon Communications Inc. since 2005, Morgan Stanley since 2006 and MGIC Investment Corporation since 2006. In addition, he serves on the board of advisors for the University of Southern California Leventhal School of Accounting.

**Educational background:** Mr. Nicolaisen graduated from the University of Wisconsin-Whitewater with a BBA degree.

The business address of each member of the Board of Directors is Mythenquai 2, CH-8002 Zurich, Switzerland. All directors are non-executive, independent of management, and except for Ms. Monica Mächler have never held an executive position in the Zurich Insurance Group. Monica Mächler joined Zurich Insurance Group in 1990, she assumed the roles of Group General Counsel and Head of the Board Secretariat from 1999 to 2006 and was appointed a member of the Group Management Board in 2001. She left the company in 2006. Therefore, according to the guidelines of the Swiss Code of Best Practice for Corporate Governance Ms. Mächler meets the requirements with regard to independence.

All directors also serve on the Board of Directors of ZIG. As at the date of this Base Prospectus, there are no potential conflicts of interests between the duties of any member of the Board of Directors of ZIC owed to ZIC and their private interests and/or other duties. If a potential conflict arises in the future, it would be subject to the applicable provisions of Swiss company law and the organisational rules of ZIC relating to proceedings at meetings of the Board of Directors.

#### **Group Executive Committee of ZIC (as at the date of this Base Prospectus)**

<b><u>Name</u></b>	<b><u>Nationality</u></b>	<b><u>Function</u></b>
Martin Senn.....	Swiss	Chief Executive Officer
Jeff Dailey.....	U.S. American	Chief Executive Officer - Farmers Group, Inc.
Mike Foley.....	U.S. American	CEO North America Commercial and Regional Chairman of North America
Robert Dickie.....	British Citizen	Chief Operations and Technology Officer
Yannick Hausman.....	Swiss	Group General Counsel
Michael Kerner.....	U.S. American	CEO General Insurance
Axel P. Lehmann.....	Swiss	Chief Risk Officer and Regional Chairman of Europe
George Quinn.....	British Citizen	Chief Financial Officer
Cecilia Reyes.....	Swiss/Philippine	Chief Investment Officer
Geoffrey (Geoff) Riddell.....	British	Regional Chairman of Asia-Pacific & Middle East
Kristof Terryn.....	Belgian	CEO Global Life

The business address of each member of the Group Executive Committee of ZIC is Mythenquai 2, CH-8002 Zurich, Switzerland. As at the date of this Base Prospectus, there are no potential conflicts of interests between the duties of any member of the Group Executive Committee of ZIC owed to ZIC and their private interests and/or other duties. If a potential conflict arises in the future, it would be subject to the applicable provisions of Swiss company law and the organisational rules of ZIC relating to proceedings at meetings of the Group Executive Committee of ZIC.

#### **Regulation**

ZIC conducts its operations in Switzerland under operating licences for all lines of general insurance business. The operations of ZIC are subject to continued supervision by FINMA based on the Swiss Insurance Supervision Law (“**ISL**”) that came into force on 1 January 2006. Swiss insurance companies must always maintain net assets or funds free of any encumbrances in the amount of the “solvency margin” (“**Solvency I**”). Swiss regulation relating to the solvency margin is similar to the European Union (“**EU**”) solvency margin regime (Solvency I). The law introduced risk-based capital requirements (target capital) under the Swiss Solvency Test (“**SST**”) since 1 January 2011, similar to the ongoing Solvency II implementation in the EU. Swiss insurers also have to maintain tied assets that secure all known and estimated liabilities of the insurance company vis-à-vis the insureds arising out of insurance contracts. The law requires Swiss supervised insurance companies and groups to maintain a risk management system appropriate to its business activities and to establish effective internal control systems. It also requires every Swiss insurance company to designate an appointed actuary who has to provide certain reports to management. The law further introduces rules regarding the supervision of insurance groups and insurance conglomerates. These include the requirement to calculate a group solvency margin as well as a group risk based capital based on an internal model. The reporting of intra-group transactions is also required. Under the group supervision rules and based on a FINMA decree of 28 December 2011 the Zurich Insurance Group qualifies as an insurance group.

The different insurance and financial services subsidiaries of the Zurich Insurance Group are supervised by their relevant local regulators and may be subject to regulatory restrictions on the amount of dividends, cash loans and advances which can be remitted to ZIC or ZIG respectively.

#### **LEGAL PROCEEDINGS AND REGULATORY INVESTIGATIONS**

The Zurich Insurance Group is continuously involved in legal proceedings, and regulatory investigations arising, for the most part, in the ordinary course of its business operations. These liabilities are taken into account in setting reserves. The Zurich Insurance Group’s business is subject to extensive supervision, and is in regular contact with various regulatory authorities. Specifically, certain companies within the Zurich Insurance Group are engaged in the following legal proceedings:

##### ***Fuller-Austin Litigation***

An action entitled Fuller-Austin Asbestos Settlement Trust, et al. v. Zurich American Insurance Company (ZAIC), et al., was filed in May 2004 in the Superior Court for San Francisco County, California. Three other similar actions were filed in 2004 and 2005 and have been coordinated with the Fuller-Austin action (collectively, the Fuller-Austin Case). In addition to ZAIC and four of its

insurance company subsidiaries, ZIC and Orange Stone Reinsurance Dublin (Orange Stone) are named as defendants. The plaintiffs, who are historical policyholders of the Home Insurance Company (Home), plead claims for, inter alia, fraudulent transfer, tortious interference, unfair business practices, alter ego and agency liability relating to the recapitalisation of Home, which occurred in 1995 following regulatory review and approval. The plaintiffs allege that pursuant to the recapitalisation and subsequent transactions, various Zurich entities took assets of Home without giving adequate consideration in return, and contend that this forced Home into liquidation.

The plaintiffs further allege that the defendants should be held responsible for Home's alleged obligations under their Home policies. The trial judge designated the plaintiffs' claims for constructive fraudulent transfer for adjudication before all other claims; he subsequently ordered an initial bench trial on certain threshold elements of those fraudulent transfer claims and on certain of defendants' affirmative defenses. The trial commenced on 1 November 2010. Closing arguments were heard on 22 and 23 February 2012.

The court issued a tentative decision on the initial bench trial on 7 November 2013, following which the parties had an opportunity to submit proposed corrections to nonsubstantive matters. The court issued its final decision on 27 December 2013. While the court found that plaintiffs had established that Home transferred certain assets to one of the defendants in connection with the 1995 recapitalisation transaction, it held that plaintiffs' fraudulent transfer claims, which all related to transfers allegedly made as part of the 1995 recapitalisation, were time-barred. The court further held that Home's liquidator had exclusive standing to bring fraudulent transfer claims involving Home's assets. The effect of these holdings should be the dismissal of the plaintiffs' fraudulent transfer claims. In addition, the court accepted the defendants' arguments that the findings made by the regulators in approving the recapitalisation transaction are binding on the plaintiffs in the Fuller-Austin Case.

On 6 March 2014, the court held a hearing to consider the effect of the initial decision on the plaintiffs' remaining claims. The Court has asked the parties to submit proposed statements of decision, after which the Court will issue a decision. On 6 March 2014, the court held a hearing to consider the effect of the initial decision on the plaintiffs' remaining claims. The Court has asked the parties to submit proposed statements of decision, after which the Court will issue a decision. The Zurich Insurance Group maintains that the Fuller-Austin Case is without merit and intends to continue to defend itself vigorously.

## ZURICH FINANCE (LUXEMBOURG) S.A.

Zurich Finance (Luxembourg) S.A. was incorporated on 19 May 1999, and operates under the Luxembourg law dated 10 August 1915 concerning commercial companies, as amended, as a public limited liability company (*société anonyme*). It is registered with the Luxembourg trade and companies register under number B.69.748. The registered office of ZF (Luxembourg) is at 26, Boulevard Royal, L-2449 Luxembourg and its telephone number is +352 22 99 99 5735. ZF (Luxembourg) has no subsidiaries.

ZF (Luxembourg) is a wholly owned subsidiary of ZIC. The subscribed and fully paid up capital of ZF (Luxembourg) is EUR 2,050,800 divided into 20,508 ordinary shares in registered form, each with a par value of EUR 100. ZF (Luxembourg) is a group financing company and it is not engaged in and does not propose to engage in any activity other than issuing the Notes and entering into other financing transactions.

In general, ZF (Luxembourg) may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its corporate purposes.

The corporate objects of ZF (Luxembourg) are primarily to raise finance for members of the ZIC Group.

The members of the Board of Directors of ZF (Luxembourg) are:

<u>Name</u>	<u>Function</u>	<u>Business Address</u>
Olga Kusters.....	Director	Mythenquai 2, 8002 Zurich, Switzerland
Xavier Groffils.....	Director	26, Boulevard Royal, L-2449 Luxembourg Ardleigh, Two Mile Borris, Thurles CO.
Ann Marie Callanan.....	Director	Tipperary Ireland
James Doyle .....	Director	Building Excio, 37, rue du Puits Romain L-8070 Bertrange Luxembourg

As of the date of this Base Prospectus, no member of the Board of Directors of ZF (Luxembourg) has any conflicts of interests between his duties to ZF (Luxembourg) and his private interests and other duties. If a potential conflict arises in the future, it would be subject to the provisions in the articles of association relating to proceedings at meetings of the Board of Directors.

The fiscal year of ZF (Luxembourg) begins on 1 January and terminates on 31 December of each year.

## ZURICH FINANCE (UK) PLC

Zurich Finance (UK) plc is a wholly owned subsidiary of ZFS (UKISA) Limited which in turn is a subsidiary of ZIC. It operates and was incorporated and registered in England and Wales on 18 June 2002 under the Companies Act 1985 as a public limited company with company number 4463547. The registered office of ZF (UK) is The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX and its telephone number is +44 (0)1793 511227. ZF (UK) has no subsidiaries. ZF (UK) is a group financing company and does not propose to engage in any activity other than issuing the Notes and entering into other financing transactions.

ZF (UK)'s authorised share capital is GBP 50,000,000, divided into 50,000,000 ordinary shares of GBP 1.00 each. The issued and fully paid up capital of ZF (UK) is GBP 50,000 divided into 50,000 shares of GBP 1.00 each.

The primary purpose of ZF (UK) is to raise capital to finance the operations of members of the Zurich Insurance Group

The members of the Board of Directors of ZF (UK) are:

<u>Name</u>	<u>Function</u>	<u>Business Address</u>
Christian Carl .....	Executive Director and Chairman	Mythenquai 2, 8002 Zurich, Switzerland
Vince Rennie.....	Executive Director	Tricentre One, New Bridge Square, Swindon, SN1 1HN
Neil Evans .....	Executive Director	Tricentre One, New Bridge Square, Swindon, SN1 1HN

As at the date of this Base Prospectus, there are no potential conflicts of interests between the duties owed by any member of the Board of Directors of ZF (UK) to ZF (UK) and his private interests or other duties. If a potential conflict arises in the future, it would be subject to the provisions of the articles of association relating to proceedings at meetings of the Board of Directors.

The fiscal year of ZF (UK) begins on 1 January and terminates on 31 December of each year.

## FORM OF SENIOR GUARANTEE

This guarantee agreement is made on the date of issue of the relevant tranche as specified in the Schedule hereto between:

- (1) ZURICH INSURANCE COMPANY LTD of Mythenquai 2, CH8002 Zurich, Switzerland, a company incorporated with limited liability under the laws of Switzerland (the “**Guarantor**”); and
- (2) CITICORP TRUSTEE COMPANY LIMITED, of 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, acting as trustee for the Noteholders and the Couponholders (each as defined below) (the “**Trustee**”, which expression shall, where the context so admits, include such company and all other persons or companies for the time being the trustee or trustees of the Trust Deed).

### WHEREAS

- (A) [ZURICH FINANCE (LUXEMBOURG) S.A.] [ZURICH FINANCE (UK) PLC] as issuer, may issue Euro Medium Term Notes in an aggregate nominal amount of up to USD18,000,000,000 (or its equivalent in other currencies) pursuant to a Euro Medium Term Note Programme established by them.
- (B) The Issuer of the Notes of the relevant tranche specified in the Schedule hereto (the “**Issuer**”) has agreed to issue the Notes described in the Schedule hereto (the “**Notes**”) on the issue date specified in the Schedule hereto.
- (C) The Guarantor has agreed to guarantee to the Trustee up to a specified maximum amount the obligations of the Issuer to pay principal, interest and all other amounts payable on all outstanding Notes and under the Trust Deed (the “**Senior ZIC Guarantee**”) for the benefit of the Trustee, the holders of the Notes (the “**Noteholders**”) and the holders of the Coupons (if any) relating thereto (the “**Couponholders**” and the “**Coupons**” respectively) (the Noteholders and the Couponholders together the “**Holders**” and the Notes and the Coupons together the “**Securities**”).

### 1. GUARANTEE

#### (1) Senior ZIC Guarantee

The Guarantor hereby irrevocably and unconditionally undertakes in its capacity as primary obligor and not merely as a surety, pursuant to Art. 111 of the Swiss Federal Code of Obligations, irrespective of the validity of the Securities and the Trust Deed and waiving all rights of objection and defence arising from the Securities and the Trust Deed to pay to the Trustee, acting for the benefit of the Holders, within seven days after the receipt by the Guarantor of the Trustee’s first written demand for payment and the Trustee’s confirmation in writing that an amount due under the Securities or the Trust Deed which is equivalent to the amount claimed under the Senior ZIC Guarantee has remained unpaid on the due date (the last day of such period of seven days being hereinafter referred to as the “**Seventh Day**”), such amount upon the following terms:

- (a) the Senior ZIC Guarantee constitutes a direct, non-accessory, unconditional, unsubordinated and unsecured obligation of the Guarantor ranking (subject as aforesaid) *pari passu* with all its other outstanding unsecured and unsubordinated obligations, present and future, save for statutorily preferred exceptions, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights;
- (b) the maximum liability of the Guarantor under the Senior ZIC Guarantee (including, in particular, all amounts payable under Clause 3 of the Senior ZIC Guarantee and all other amounts payable under the Senior ZIC Guarantee) shall not exceed in aggregate [insert currency and amount] (the “**Guarantee Amount**”) calculated in accordance with Note 1 which may not be reduced for so long as any sum remains payable under the Securities;
- (c) all rights arising from the Senior ZIC Guarantee shall be held exclusively by the Trustee and no Holder may proceed directly against the Guarantor under the Senior ZIC Guarantee unless the Trustee having been so requested in writing by the Holders of not less than 25 per cent in nominal amount of the Notes then outstanding or so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders to proceed, fails to do so within a reasonable period and such failure is continuing; and
- (d) the Guarantor agrees that any payments to be made by it hereunder shall be made to or to the order of the Trustee in the place of payment specified in the Schedule hereto in the currency specified in the Schedule hereto in immediately available funds before close of business in that city on the Seventh Day and any such payment shall, to that extent, satisfy the obligation of the Guarantor under the Senior ZIC Guarantee.

Such written demand shall, however, not be submitted to the Guarantor before seven days have passed since the due date on which such amount due under the Securities or the Trust Deed should have been paid.



## **(2) Guarantor's Obligations Continuing**

Subject to Clause 1(1)(b), the Guarantor's obligations under the Senior ZIC Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable under the Securities. Furthermore, the obligations of the Guarantor hereunder are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantor or otherwise, and may be enforced without first having recourse to the Issuer, any other person, any security or any other guarantee or indemnity.

## **(3) Exercise of Guarantor's Rights**

So long as any sum remains payable by the Issuer under the Securities, no right of the Guarantor, by reason of the performance of any of its obligations under the Senior ZIC Guarantee, to be indemnified by the Issuer or to take the benefit of or enforce any security or other guarantee or indemnity shall be exercised or enforced. Until all amounts which may be or become payable in respect of the Securities have been irrevocably paid in full, the Guarantor shall not by virtue of the Senior ZIC Guarantee be subrogated to any rights of the Trustee or any Holder or claim in competition with the Trustee or the Holders against the Issuer.

## **(4) Avoidance of Payments**

Any settlement or discharge between the Guarantor and the Trustee in respect of the Senior ZIC Guarantee shall be conditional upon no payment to the Trustee or any Holder by the Issuer or any person on the Issuer's behalf being avoided or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency or liquidation or similar laws of general application for the time being in force and, in the event of any such payment being so avoided or reduced, the Trustee shall be entitled to recover from the Guarantor the amount by which such payment is so avoided or reduced as if such settlement or discharge had not occurred.

## **2. ACCEPTANCE**

The Trustee accepts the Senior ZIC Guarantee in its capacity as trustee for the Holders. The Guarantor agrees to be bound by the provisions of Condition 7 (subject to Clause 1(1)(b)) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes as if set out in full in this guarantee agreement.

## **3. CURRENCY INDEMNITY**

### **(1) Currency of Account and Payment**

The currency of the Notes (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Guarantor under or in connection with the Senior ZIC Guarantee, including damages.

### **(2) Extent of Discharge**

Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Guarantor or otherwise), by the Trustee in respect of any sum expressed to be due to it from the Guarantor will only discharge the Guarantor to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that day, on the first date on which it is practicable to do so).

### **(3) Indemnity**

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Senior ZIC Guarantee, the Guarantor will, subject to Clause 1(1)(b), indemnify the recipient against any loss sustained by it as a result and will indemnify it against the cost of making any such purchase.

### **(4) Indemnity separate**

This indemnity constitutes a separate and independent obligation from the other obligations in the Senior ZIC Guarantee, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Senior ZIC Guarantee or any judgment or order, subject always to Clause 1(1)(b).

## **4. NOTICES**

Each notice or demand under the Senior ZIC Guarantee shall be made in writing. Each notice or demand to be made or sent to the Guarantor under the Senior ZIC Guarantee shall be made or sent (airmail, postage prepaid, if sent by post to another country) to the Guarantor at the address, and for the attention of the person, from time to time designated by the Guarantor for the purposes of the Senior ZIC Guarantee. Any such notice or demand shall be effective when actually delivered to such address. The address, attention and telefax number of the Guarantor for notices or demands under the Senior ZIC Guarantee for the time being are as follows:

Zurich Insurance Company Ltd  
Mythenquai 2  
CH8002 Zurich      Fax: +41 (0)44 625 3497  
Attention:          Yannick Hausmann, Group General Counsel  
With a copy to:      Fax: +41 (0)44 625 48 31  
Attention:          Head of Group Treasury and Capital Management

## **5. RIGHT OF PRODUCTION**

A copy of the Senior ZIC Guarantee will be deposited with each of the paying agents appointed under the Agency Agreement. The Guarantor hereby acknowledges the right of each Holder to production of a copy of the Senior ZIC Guarantee.

## **6. GOVERNING LAW AND JURISDICTION**

### **(1) Governing Law**

The Senior ZIC Guarantee shall be governed by, and construed in accordance with, the substantive laws of Switzerland.

### **(2) Jurisdiction**

Any dispute arising out of the Senior ZIC Guarantee between the Guarantor and the Trustee, or between the Guarantor and a Holder who is entitled to proceed against the Guarantor pursuant to Clause 1(1)(c), shall fall exclusively within the jurisdiction of the courts of the City of Zurich, venue Zurich 1, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.

This guarantee agreement has been entered into on the date stated at the beginning.

**ZURICH INSURANCE COMPANY LTD**

By:

By:

**CITICORP TRUSTEE COMPANY LIMITED**

By:

By:

Note 1:

\* The Guarantee Amount in respect of a relevant tranche of Notes (other than Variable Notes (as defined below)) will be calculated as follows:

For Fixed Rate Notes:  
 $GA = RA + (3 \times I) + AA$

For Floating Rate Notes:  
 $GA = RA + (3 \times EI) + AA$

For Zero Coupon Notes:  
 $GA = RA + AA$

where:

“**GA**” means Guarantee Amount;

“**RA**” means the greater of the Early Redemption Amount and the Final Redemption Amount of the Notes, each as defined in the applicable Final Terms;

“**I**” means the amount of interest payable on the Notes up to the first anniversary of their issue date;

“**EI**” means the estimated amount of interest payable on the Notes up to the first anniversary of their issue date calculated on the basis that interest is payable for each interest period ending on or prior to such first anniversary at 1.5 times the rate fixed for the first interest period; and

“**AA**” means USD100,000 (or its equivalent in the currency of the Guarantee Amount) representing an additional amount to guarantee the payments of the Issuer to be due under the Trust Deed but not under the Securities.

For Notes with a variable or partial redemption amount or for Notes (other than Floating Rate Notes) where the amount of interest is not determinable at the Issue Date (“**Variable Notes**”), the Guarantee Amount will be signed between the Guarantor and the relevant Dealer on or before the Issue Date.

[Final Terms annexed]

**THE SCHEDULE**

Issuer: ..... [Zurich Finance (Luxembourg) S.A.] [Zurich Finance (UK) plc]

Title of Notes being issued: ..... [ ● ]

Date of issue of relevant Tranche:..... [ ● ]

Guarantee Amount ..... [ ● ]

Place of payment and specified currency for  
the purposes of Clause 1(d): ..... [ ● ]

## FORM OF SUBORDINATED GUARANTEE

This subordinated guarantee agreement is made on the date of issue of the relevant tranche as specified in the Schedule hereto between:

- (1) ZURICH INSURANCE COMPANY LTD of Mythenquai 2, CH-8002 Zurich, Switzerland, a company incorporated with limited liability under the laws of Switzerland (the “**Guarantor**”); and
- (2) CITICORP TRUSTEE COMPANY LIMITED, of 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, acting as trustee for the Noteholders, the Receiptholders and the Couponholders (each defined below) (the “**Trustee**”, which expression shall, where the context so admits, include such company and all other persons or companies for the time being the trustee or trustees of the Trust Deed).

### WHEREAS

- (A) [ZURICH FINANCE (LUXEMBOURG) S.A.] [ZURICH FINANCE (UK) plc], as issuer, may issue Euro Medium Term Notes in an aggregate nominal amount of up to USD18,000,000,000 (or its equivalent in other currencies) pursuant to a European Medium Term Note Programme established by them.
- (B) The Issuer of the Notes of the relevant tranche specified in the Schedule hereto (the “**Issuer**”) has agreed to issue the Notes described in the Schedule hereto (the “**Subordinated Notes**”) on the issue date specified in the Schedule hereto.
- (C) The Guarantor has agreed to guarantee to the Trustee up to a specified maximum amount the obligations of the Issuer to pay principal, interest and all other amounts payable on all outstanding Subordinated Notes and under the Trust Deed (the “**Subordinated ZIC Guarantee**”) for the benefit of the Trustee, the holders of the Subordinated Notes (the “**Noteholders**”) and the holders of the Coupons (if any) relating thereto (the “**Couponholders**” and the “**Coupons**” respectively) (the Noteholders and the Couponholders together the “**Holders**” and the Subordinated Notes and the Coupons together the “**Subordinated Securities**”).

### 1. GUARANTEE

#### (1) Subordinated ZIC Guarantee

The Guarantor hereby irrevocably and unconditionally undertakes on a subordinated basis in its capacity as primary obligor and not merely as a surety, pursuant to Art. 111 of the Swiss Federal Code of Obligations, irrespective of the validity of the Subordinated Securities and the Trust Deed and waiving all rights of objection and defence arising from the Subordinated Securities and the Trust Deed to pay to the Trustee, acting for the benefit of the Holders, within seven days after the receipt by the Guarantor of the Trustee’s first written demand for payment and the Trustee’s confirmation in writing that an amount due under the Subordinated Securities or the Trust Deed which is equivalent to the amount claimed under the Subordinated ZIC Guarantee has remained unpaid on the due date (the last day of such period of seven days being hereinafter referred to as the “**Seventh Day**”), such amount upon the following terms:

- (a) The Subordinated ZIC Guarantee hereunder constitutes a direct, non-accessory, unconditional, subordinated and unsecured obligation of the Guarantor.

Claims in respect of the Subordinated ZIC Guarantee will, in the event of a winding up, liquidation, dissolution, bankruptcy of or other similar proceedings against the Guarantor (such as bankruptcy (“*Konkurs*”) composition (“*Nachlassvertrag*”) and moratorium (“*Stundung*”)), rank

(i) after the claims of any Senior Creditors (as defined below) of the Guarantor;

(ii) *pari passu* with any Subordinated Notes (as defined in the Trust Deed) of the Guarantor and any other subordinated obligations of the Guarantor which whether now or in the future rank or are expressed to rank *pari passu* with the claims of the holders of such Subordinated Notes or the beneficiaries of this Subordinated ZIC Guarantee (“**Parity Obligations**”, and “**Parity Obligation**” shall be construed accordingly); and

(iii) prior to the claims of the holders of any Capital Notes (as defined in the Trust Deed) and of all classes of issued shares in the share capital of the Guarantor.

As used above, “**Senior Creditors**” shall have the meaning ascribed to such term in Condition 2(c) of the Subordinated Notes.

- (b) Neither the Trustee nor any Noteholder and/or Couponholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer and/or the Guarantor arising under or in connection with the Subordinated Notes or the Subordinated ZIC Guarantee and the Trustee and each Noteholder, and/or Couponholder shall, by virtue of being the holder of any of the Subordinated Notes and/or Coupons, be deemed to have waived all such rights of set-off.

- (c) The maximum liability of the Guarantor under the Subordinated ZIC Guarantee (including, in particular, all amounts payable under Clause 3 of the Subordinated ZIC Guarantee and all other amounts payable under the Subordinated ZIC Guarantee) shall not exceed in aggregate [insert currency and amount] (the “**Guarantee Amount**”), calculated in accordance with Note 1 which may not be reduced for so long as any sum remains payable under the Subordinated Securities.
- (d) All rights arising from the Subordinated ZIC Guarantee shall be held exclusively by the Trustee and no Holder may proceed directly against the Guarantor under the Subordinated ZIC Guarantee unless the Trustee having been so requested in writing by the Holders of not less than 25 per cent, in nominal amount of the Subordinated Notes then outstanding or so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders to proceed, fails to do so within a reasonable period and such failure is continuing.
- (e) The Guarantor agrees that any payments to be made by it hereunder shall be made to or to the order of the Trustee in the place of payment specified in the Schedule hereto in immediately available funds before close of business in that city on the Seventh Day and any such payment shall to that extent, satisfy the obligation of the Guarantor under the Subordinated ZIC Guarantee.

Such written demand shall, however, not be submitted to the Guarantor before 7 days have passed since the due date on which such amount due under the Subordinated Securities or the Trust Deed should have been paid.

## **(2) Guarantor’s Obligations Continuing**

Subject to Clause 1(1)(c), the Guarantor’s obligations under the Subordinated ZIC Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable under the Subordinated Securities. Furthermore, the obligations of the Guarantor hereunder are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantor or otherwise, and may be enforced without first having recourse to the Issuer, any other person, any security or any other guarantee or indemnity.

## **(3) Exercise of Guarantor’s Rights**

So long as any sum remains payable by the Issuer under the Subordinated Securities, no right of the Guarantor, by reason of the performance of any of its obligations under the Subordinated ZIC Guarantee, to be indemnified by the Issuer or to take the benefit of or enforce any security or other guarantee or indemnity shall be exercised or enforced. Until all amounts which may be or become payable in respect of the Subordinated Securities have been irrevocably paid in full, the Guarantor shall not by virtue of the Subordinated ZIC Guarantee be subrogated to any rights of the Trustee or any Holder or claim in competition with the Trustee or the Holders against Issuer.

## **(4) Avoidance of Payments**

Any settlement or discharge between the Guarantor and the Trustee in respect of the Subordinated ZIC Guarantee shall be conditional upon no payment to the Trustee or any Holder by the Issuer or any person on the Issuer’s behalf being avoided or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency or liquidation or similar laws or general application for the time being in force and, in the event of any such payment being so avoided or reduced, the Trustee shall be entitled to recover from the Guarantor the amount by which such payment is so avoided or reduced as if such settlement or discharge had not occurred.

## **2. ACCEPTANCE**

The Trustee accepts the Subordinated ZIC Guarantee in its capacity as trustee for the Holders. The Guarantor agrees to be bound by the provisions of Conditions 7 (subject to Clause 1(1)(c)) of the Terms and Conditions of the Subordinated Notes as if set out in full in this guarantee agreement.

## **3. CURRENCY INDEMNITY**

### **(1) Currency of Account and Payment**

The currency of the Subordinated Notes (the “**Contractual Currency**”) is the sole currency of account and payment for all sums payable by the Guarantor under or in connection with the Subordinated ZIC Guarantee, including damages.

### **(2) Extent of Discharge**

Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of the enforcement of a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Guarantor or otherwise), by the Trustee in respect of any sum expressed to be due to it from the Guarantor will only discharge the Guarantor to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the

date of that receipt or recover (or, if it is not practicable to make that purchase on that day, on the first date on which it is practicable to do so).

### **(3) Indemnity**

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Subordinated ZIC Guarantee, the Guarantor will, subject to Clause 1(1)(c), indemnify the recipient against any loss sustained by it as a result and will indemnify it against the cost of making any such purchase.

### **(4) Indemnity separate**

This indemnity constitutes a separate and independent obligation from the other obligations in the Subordinated ZIC Guarantee, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Subordinated ZIC Guarantee or any judgment or order, subject always to Clause 1(1)(c).

## **4. NOTICES**

Each notice or demand under the Subordinated ZIC Guarantee shall be made in writing. Each notice or demand to be made or sent to the Guarantor under the Subordinated ZIC Guarantee shall be made or sent (airmail, postage prepaid, if sent by post to another country) to the Guarantor at the address, and for the attention of the person, from time to time designated by the Guarantor for the purposes of the Subordinated ZIC Guarantee. Any such notice or demand shall be effective when actually delivered to such address. The address, attention and telefax number of the Guarantor for notices or demands under the Subordinated ZIC Guarantee for the time being are as follows:

Zurich Insurance Company Ltd  
Mythenquai 2  
CH-8002 Zurich      Fax: +41 (0)44 625 3497  
Attention:            Yannick Hausmann, Group General Counsel  
With a copy to:      Fax: +41 (0)44 625 48 31  
Attention:            Head of Group Treasury and Capital Management

## **5. RIGHT OF PRODUCTION**

A copy of the Subordinated ZIC Guarantee will be deposited by the Guarantor with each of the paying agents appointed under the Agency Agreement. The Guarantor hereby acknowledges the right of each Holder to production of a copy of the Subordinated ZIC Guarantee.

## **6. GOVERNING LAW AND JURISDICTION**

### **(1) Governing law**

The Subordinated ZIC Guarantee shall be governed by, and construed in accordance with, the substantive laws of Switzerland.

### **(2) Jurisdiction**

Any dispute arising out of the Subordinated ZIC Guarantee between the Guarantor and the Trustee, or between the Guarantor and a Holder who is entitled to proceed against the Guarantor pursuant to Clause 1(1)(d), shall fall exclusively within the jurisdiction of the courts of the City of Zurich, venue Zurich 1, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.

This guarantee agreement has been entered into on the date stated at the beginning.

### **ZURICH INSURANCE COMPANY LTD**

By:

By:

### **CITICORP TRUSTEE COMPANY LIMITED**

By:

By:

Note 1: \*The Guarantee Amount in respect of a relevant tranche of Subordinated Notes (other than Variable Notes (as defined below)) will be calculated as follows:

For Fixed Rate Notes:

For Floating Rate Notes:

For Zero Coupon Notes:

$$GA = RA + (3 \times I) + AA$$

$$GA = RA + (3 \times EI) + AA$$

$$GA = RA + AA$$

where:

**“GA”** means Guarantee Amount;

**“RA”** means the greater of the Early Redemption Amount and the Final Redemption Amount of the Subordinated Notes, each as defined in the applicable Final Terms;

**“I”** means the amount of interest payable on the Subordinated Notes up to the first anniversary of their issue date;

**“EI”** means the estimated amount of interest payable on the Subordinated Notes up to the first anniversary of their issue date calculated on the basis that interest is payable for each interest period ending on or prior to such first anniversary at 1.5 times the rate fixed for the first interest period; and

**“AA”** means USD100,000 (or its equivalent in the currency of the Guarantee Amount) representing an additional amount to guarantee the payments of the Issuer to be due under the Trust Deed but not under the Securities.

For Subordinated Notes with a variable or partial redemption amount or for Subordinated Notes (other than Floating Rate Notes) where the amount of interest is not determinable at the Issue Date (“Variable Notes”), the Guarantee Amount will be signed between the Guarantor and the relevant Dealer on or before the Issue Date.

[Final Terms annexed]



**THE SCHEDULE**

Issuer: ..... [Zurich Finance (Luxembourg) S.A.] [Zurich Finance (UK) plc]

Title of Subordinated Notes being issued: ..... [Specify details of the Notes (including whether the Notes are Dated or Undated Subordinated Notes)]

Date of issue of relevant Tranche: ..... [ ● ]

Guarantee Amount:..... [ ● ]

Place of payment and specified currency for the purposes of Clause 1(e): ..... [ ● ]

## TAXATION

### General

The comments below are of a general nature and are not intended to be exhaustive. They assume that there will be no substitution of the Issuers and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the terms and conditions of the Notes). Any Noteholders who are in doubt as to their own tax position should consult their professional advisers.

### Luxembourg Taxation

The following information is of a general nature only and is based on ZF (Luxembourg)'s understanding of certain aspects of the laws and practice in force in Luxembourg as of the date of this Base Prospectus. It does not purport to be a comprehensive description of all of the tax considerations that might be relevant to an investment decision. It is not intended to be, nor should it be construed to be, legal or tax advice. It is a description of the essential material Luxembourg tax consequences with respect to the Notes and may not include tax considerations that arise from rules of general application or that are generally assumed to be known to holders of Notes. This summary is based on the laws in force in Luxembourg on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. Prospective holders of Notes should consult their professional advisers with respect to particular circumstances, the effects of state, local or foreign laws to which they may be subject and as to their tax position.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) and personal income tax (*impôt sur le revenu*). Corporate taxpayers may further be subject to net worth tax (*impôt sur la fortune*), as well as other duties, levies or taxes. Corporate income tax, municipal business tax, as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

#### (a) Luxembourg tax residency of the holders of Notes

Investors will not become resident nor be deemed to be resident in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of their rights thereunder.

#### (b) Withholding Tax

##### (i) Resident holders of Notes

Under the Luxembourg law dated December 23, 2005 (the "Law"), a 10 per cent Luxembourg withholding tax is levied on interest or similar income payments made by Luxembourg paying agents to or for the immediate benefit of an individual beneficial owner who is resident in Luxembourg. This withholding tax also applies on accrued interest received upon disposal, redemption or repurchase of the Notes. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

Further, Luxembourg resident individuals who are the beneficial owners of interest payments and other similar income made by a paying agent established outside Luxembourg in a Member State of the European Union or the European Economic Area or in a jurisdiction having concluded an agreement with Luxembourg in connection with the Savings Directive may opt for a final 10 per cent levy. In such case, the 10 per cent levy is calculated on the same amounts as for the payments made by Luxembourg paying agents. The option for the 10 per cent final levy must cover all interest payments made by paying agents to the beneficial owner during the entire civil year.

##### (ii) Non-resident holders of Notes

Under the Luxembourg tax law currently in effect and subject to the application of the Luxembourg laws dated 21 June 2005 (the "Laws") implementing the Savings Directive and several agreements concluded between Luxembourg and certain dependant territories of the European Union, there is no withholding tax on payments of interest (including accrued but unpaid interest) made to a Luxembourg non-resident holder of Notes. There is also no Luxembourg withholding tax upon repayment of the principal, or subject to the application of the Laws, upon redemption or exchange of the Notes.

Under the Laws, a Luxembourg based paying agent (within the meaning of the Savings Directive) is required since 1 July 2005, to withhold tax on interest and other similar income (including reimbursement premium received at maturity) paid by it to (or under certain circumstances, to the benefit of) an individual or a residual entity ("**Residual Entity**") in the sense of article 4.2. of the

Savings Directive (i.e. an entity without legal personality except for (1) a Finnish *avoin yhtiö* and *kommandiittiyhtiö / öppet bolag* and *kommanditbolag* and (2) a Swedish *handelsbolag* and *kommanditbolag*, and whose profits are not taxed under the general arrangements for the business taxation and that is not, or has not opted to be considered as, a UCITS recognised in accordance with Council Directive 2009/65/EC), resident or established in another Member State of the European Union, unless the beneficiary of the interest payments elects for an exchange of information. The same regime applies to payments to individuals or Residual Entity resident in any of the following territories: Aruba, British Virgin Islands, Curaçao, Guernsey, Isle of Man, Jersey, Montserrat and Sint Maarten.

The withholding tax rate is currently 35 per cent. It has been publicly announced that as from 1 January 2015 the withholding tax within the meaning of the Savings Directive will be replaced by the exchange of information.

In each case described here above (residents and non-residents), responsibility for the withholding tax will be assumed by the Luxembourg paying agent.

### **(c) Taxation of the holders of Notes**

#### *(i) Taxation of Luxembourg non-residents*

Holders of Notes who are non-residents of Luxembourg and who have neither a permanent establishment nor a permanent representative in Luxembourg to which the Notes are attributable are not liable to any Luxembourg income tax, whether they receive payments of principal or interest (including accrued but unpaid interest) or realise capital gains upon redemption, repurchase, sale, disposal or exchange, in any form whatsoever, of any Notes.

Corporate holders of Notes who are non-residents of Luxembourg or non-resident individual holders acting in the course of the management of a professional or business undertaking, and who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable are liable to Luxembourg income tax on any interest received or accrued, as well as any reimbursement premium received at maturity and any capital gain realised on the sale or disposal, in any form whatsoever, of the Notes and have to include this income in their taxable income for Luxembourg income tax assessment purposes.

#### *(ii) Taxation of Luxembourg residents*

##### *Luxembourg resident individuals*

An individual holder of Notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts under the Notes, except if the 10 per cent withholding tax has been levied on such payments in accordance with the Law.

Under Luxembourg domestic tax law, gains realised upon the sale or disposal, in any form whatsoever, of the Notes, which do not constitute zero coupon notes, by an individual holder of Notes, who is a resident of Luxembourg for tax purposes and who acts in the course of the management of his/her private wealth are not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the acquisition of the Notes. An individual holder of Notes, who acts in the course of the management of his/her private wealth and who is a resident of Luxembourg for tax purposes, has further to include the portion of the gain corresponding to accrued but unpaid income in respect of the Notes in his/her taxable income, insofar as the accrued but unpaid interest is indicated separately in the agreement.

A gain realised upon a sale of zero coupon Notes before their maturity by Luxembourg resident holders of Notes acting in the course of the management of their private wealth, must be included in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the issue price.

Luxembourg resident individual holders of Notes acting in the course of the management of a professional or business undertaking to which the Notes are attributable, have to include any interest received or accrued, as well as any gain realised on the sale or disposal of the Notes, in any form whatsoever, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed. A tax credit for the withholding tax levied in accordance with the Law is generally available.

##### *Luxembourg corporate residents*

Luxembourg corporate resident holders of Notes must include any interest received or accrued, as well as any gain realised on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes, except if the holder of Notes is a Luxembourg corporate resident benefiting from a special tax regime (see below). Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg corporate resident holders of Notes who benefit from a special tax regime, such as, for example, undertakings for collective investment subject to the amended law of 17 December 2010, specialised investment funds governed by the amended law of 13 February 2007 or family wealth management companies governed by the amended law of 11 May 2007 are exempt from income taxes in Luxembourg and thus income derived from the Notes, as well as gains realised thereon, are not subject to Luxembourg income taxes.

#### **(d) Net Wealth Tax**

Luxembourg resident holders of Notes and non-resident holders of Notes who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, are subject to Luxembourg wealth tax on such Notes, except if the holder of Notes is (i) an individual, (ii) an undertaking for collective investment subject to the amended law of 17 December 2010, (iii) a securitisation company governed by the amended law of 22 March 2004 on securitisation, (iv) a company governed by the amended law of 15 June 2004 on venture capital vehicles, (v) a specialised investment fund governed by the amended law of 13 February 2007 or (vi) a family wealth management company governed by the amended law of 11 May 2007.

#### **(e) Other Taxes**

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the holders of Notes as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes (except in case of voluntary registration in Luxembourg).

No estate or inheritance taxes are levied on the transfer of the Notes upon death of a holder of Notes in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. Gift tax may be due on a gift or donation of Notes if the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

#### **Swiss Taxation**

The following is a summary of certain Swiss tax consequences of the purchase, beneficial ownership and disposition of Notes. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes. The summary relates only to the position of persons who are the absolute beneficial owners of the Notes and may not apply to certain other classes of persons. The summary is based upon Swiss tax laws and tax practice as in effect on the date of this Base Prospectus, which are subject to prospective or retroactive change. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their own advisors as to the Swiss or other tax consequences of the purchase, beneficial ownership and disposition of the Notes.

#### **(a) Withholding Tax**

Payments by the Issuers (other than ZIC), or by ZIC as Guarantor (in respect of Notes issued by ZF (Luxembourg) and ZF (UK)), of interest on, and repayment of principal of, the Notes, will not be subject to Swiss federal withholding tax, even though the Notes are guaranteed by ZIC as Guarantor (in respect of Notes issued by ZF (Luxembourg) and ZF (UK)), provided that the relevant Issuer uses the proceeds from the offering and sale of the Notes outstanding outside of Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

Payments of interest on Notes issued by ZIC will be subject to Swiss federal withholding tax at a rate of 35 per cent. Certain types of Notes issued by ZIC may classify as notes with a “predominant one-time interest payment” (*Obligationen mit überwiegender Einmalverzinsung*; see below “—Income Taxation on Principal or Interest”). A “one-time interest payment” will be subject to the Swiss federal withholding tax upon redemption of the Notes. Restricted Notes and Restricted Capital Notes will not be subject to the Swiss federal withholding tax.

A holder of a Note issued by ZIC who resides in Switzerland and who, at the time the payment of interest is due, is the beneficial recipient of the payment of interest and, in the case of a holder who is an individual, duly reports the gross payment of interest in his or her tax return and, in the case of a holder who is a legal entity or an individual required to keep accounting books, includes such payment as earnings in its income statement, is entitled to a full refund of or a full tax credit for the Swiss federal withholding tax. A holder of a Note issued by ZIC who does not reside in Switzerland may be able to claim a full or partial refund of the Swiss federal withholding tax by virtue of the provisions of an applicable double taxation treaty, if any, between Switzerland and the country of residence of such holder.

On 24 August 2011 the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35 per cent on any payment of interest in respect of a Note (including, as the case may be, payment by ZIC as Guarantor (in respect of Notes issued by ZF (Luxembourg) and ZF (UK)) under the Guarantee) to an individual resident in Switzerland or to a person (not only individual) resident outside Switzerland. If this

legislation or similar legislation were enacted and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, neither the Issuer nor the Guarantor nor any paying agent nor any other person would pursuant to the Conditions be obliged to pay additional amounts with respect to any Note as a result of the deduction or imposition of such withholding tax.

## **(b) Stamp Taxes**

The issue of Notes by the Issuers and the issue of the Guarantee by ZIC as Guarantor (in respect of Notes issued by ZF (Luxembourg) and ZF (UK) on the relevant closing date to the initial subscribers) are not subject to Swiss federal stamp duty on the issue of securities and Swiss federal stamp duty on the dealing in securities (primary market). Secondary market dealings in Notes with a maturity in excess of 12 months where a Swiss domestic bank or a Swiss domestic securities dealer (as defined in the Swiss federal stamp duty act) is a party, or acts as an intermediary, to the transaction may be subject to Swiss federal stamp duty on dealings in securities at a rate of up to 0.15 per cent of the purchase price of the Notes in the case of Notes issued by ZIC and at a rate of up to 0.3 per cent of such purchase price in the case of Notes issued by the other Issuers. Where both the seller and the purchaser of the Notes (whether or not issued by ZIC) are non-residents of Switzerland or the Principality of Liechtenstein, no Swiss federal stamp duty on dealing in securities is payable. Restricted Notes are not subject to Swiss federal stamp duty on dealings in securities.

## **(c) Income Taxation on Principal or Interest**

### *(i) Notes held by non-Swiss holders*

Payments by the Issuers, or by ZIC as Guarantor (in respect of Notes issued by ZF (Luxembourg) and ZF (UK)), of interest and repayment of principal to, and gain realised on the sale or redemption of Notes by, a holder of Notes who is not a resident of Switzerland and who during the current taxation year has not engaged in trade or business through a permanent establishment or a fixed place of business in Switzerland to which such Note is attributable will not be subject to any Swiss federal, cantonal or communal income tax (as concerns the Swiss federal withholding tax see above "Withholding Tax").

### *(ii) Notes held by Swiss resident holders as private assets*

*Notes without a "predominant one-time interest payment"*: If the yield-to-maturity of a Note predominantly derives from periodic interest payments and not from a one-time-interest-payment such as an original issue discount or a repayment premium (see below "Notes with a predominant one-time interest payment"), then a holder who is an individual resident in Switzerland and who holds the Note as a private asset is required to include in his or her personal income tax return for the relevant tax period any periodic interest payments and any one-time interest payment received on the Note in such period, converted into Swiss Francs at the exchange rate prevailing at the time of payment, as the case may be, and will be taxable on any net taxable income (including such amounts) for the relevant tax period. A gain (which may include interest accrued) realised on the sale of such a Note is a tax-free private capital gain, and a loss realised on the sale of such a Note a non-tax deductible private capital loss.

*Notes with a "predominant one-time interest payment"*: If the yield-to-maturity of a Note predominantly derives from a one-time-interest-payment such as an original issue discount or a repayment premium and not from periodic interest payments, then a holder who is an individual resident in Switzerland and holds the Note as a private asset, is required to include in his or her personal income tax return for the relevant tax period any periodic interest payments received on the Note and, in addition, any amount equal to the difference between the value of the Note at redemption or sale, as applicable, and its value at issuance or secondary market purchase, as applicable, and converted into Swiss Francs at the exchange rate prevailing at the time of sale or redemption, issuance or purchase, respectively, and will be taxable on any net taxable income (including such amounts) for the relevant tax period. Any value decreases realised on such Note on sale or redemption may be offset by such a holder against any gains (including periodic interest payments) realised by him or her within the same taxation period from other securities with a predominant one-time interest payment.

See "*Notes held as Swiss business assets*" below for a summary on the tax treatment of individuals classified as "professional securities dealers."

### *(iii) Notes held as Swiss business assets*

Individuals who hold Notes as part of a business in Switzerland and Swiss-resident corporate taxpayers and corporate taxpayers residing abroad holding Notes as part of a Swiss permanent establishment or fixed place of business in Switzerland, are required to recognise the payments of interest and any capital gain or loss realised on the sale or other disposition of such Notes in their income statement for the respective tax period and will be taxable on any net taxable earnings for such period. The same taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, *inter alia*, frequent dealings and leveraged transactions in securities.

## **(d) Final Foreign Withholding Taxes**

On 1 January 2013, treaties on final withholding taxes of Switzerland with the United Kingdom and Austria entered into force (each a “**Contracting State**”). The treaties require a Swiss paying agent, as defined in the treaties, to levy a flat-rate final withholding tax (*Abgeltungssteuer*) at rates specified in the treaties on certain capital gains and income items (interest, dividends, other income items, all as defined in the treaties, deriving from assets, including the Notes and the Guarantee, as applicable, held in accounts or deposits with a Swiss paying agent by (i) an individual resident in a Contracting State or, (ii) if certain requirements are met, by a domiciliary company (*Sitzgesellschaft*), an insurance company in connection with a so-called insurance wrapper (*Lebensversicherungsmantel*) or other individuals if the beneficial owner is an individual resident in a Contracting State. The flat-rate tax withheld substitutes the ordinary income tax on the respective capital gains and income items, in the Contracting State where the individual is tax resident. In order to avoid the withholding of the flat-rate tax by the Swiss paying agent, such individuals may opt for a disclosure of the respective capital gains and income items to the tax authorities of the Contracting State where they are tax residents. Switzerland may conclude similar treaties with other European countries.

## **United Kingdom Taxation**

The following is a summary of the United Kingdom withholding taxation treatment and reporting obligations based on UK law as applied in England and Wales and HM Revenue & Customs published practice at the date hereof in relation to payments of interest in respect of the Notes. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes (and for the avoidance of doubt do not include consideration of direct taxation of income on which tax may or may not be withheld). The comments are made on the assumption that neither ZF (Luxembourg) nor ZIC is resident in the United Kingdom for United Kingdom tax purposes, is issuing the Notes for the purposes of or in the course of a trade or other business carried on by it in the United Kingdom or pays interest on the Notes which has a United Kingdom source. The comments relate only to the position of persons who are absolute beneficial owners of the Notes (and may not apply to certain classes of Noteholders (such as dealers and persons who are connected or associated with the Issuer for relevant tax purposes)). Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that series and other Tranches of Notes. The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

### **(a) Interest on the Notes issued by ZF (UK)**

The Notes issued by ZF (UK) which carry a right to interest will constitute “quoted Eurobonds” within the meaning of section 987 of the UK Income Tax Act 2007 (the “**Act**”) as long as they are and continue to be listed on a “recognised stock exchange” within the meaning of section 1005 of the Act. Securities will be treated as listed on a recognised stock exchange if (and only if) they are admitted to trading on that exchange (the regulated market of the Luxembourg Stock Exchange is a recognised stock exchange for these purposes) and either they are included in the United Kingdom Official List (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

Accordingly, payments of interest on such Notes issued by ZF (UK) may be made without withholding for or on account of UK income tax provided such Notes are and remain so listed and admitted to trading at the time of payment.

In all other cases, interest on the Notes issued by ZF (UK) may fall to be paid under deduction of United Kingdom income tax at the basic rate, which is currently 20 per cent, subject to such relief as may be available under an applicable double taxation treaty or to any other exemption which may apply. However, this withholding will not apply if the relevant interest is paid on Notes issued by ZF (UK) with a maturity date of less than one year from the date of issue and which are not issued with the intention, or under schemes or arrangements the effect of which is, to render such Notes part of a borrowing with a total term of a year or more.

### **(b) Payments by the Guarantor**

If any payments are made pursuant to a Senior ZIC Guarantee or a Subordinated ZIC Guarantee in respect of interest on Notes issued by ZF (UK) (or other amounts due under such Notes other than the repayment of amounts subscribed for the Notes) such payments may be subject to United Kingdom withholding tax at the basic rate, which is currently 20 per cent, subject to the availability of relief under the provisions of any applicable double taxation treaty or to any other exemption which may apply (although such payments may not be eligible for the exemptions described in paragraph (a) above).

### **(c) Provision of information**

Noteholders should note that HM Revenue and Customs has powers to obtain information relating to securities in certain circumstances. This may include details of the beneficial owners of the Notes (or the persons for whom the Notes are held), details

of the persons to whom payments derived from the Notes are or may be paid and information and documents in connection with transactions relating to the Notes. Information may be required to be provided by, amongst others, the holders of the Notes, persons by (or via) whom payments derived from the Notes are made or who receive (or would be entitled to receive) such payments, persons who effect or are a party to transactions relating to the Notes on behalf of others and certain registrars or administrators. These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. In certain circumstances, the details provided to HM Revenue and Customs may be passed by HM Revenue and Customs to the tax authorities of certain other jurisdictions.

#### **(d) Other rules relating to United Kingdom withholding tax**

Notes issued by ZF (UK) may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such Notes should not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in (a) above, but may be subject to reporting requirements as outlined in (c) above and in "EU Savings Directive disclosure" below.

Where Notes issued by ZF (UK) are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax, and to reporting requirements as outlined in (c) above and in "EU Savings Directive disclosure" below.

The references to "interest" in this United Kingdom Taxation section above mean "**interest**" as understood in United Kingdom tax law. Such statements do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation (e.g. see Condition 5(d) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes).

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer pursuant to Condition 14 of the Notes or otherwise and does not consider the tax consequences of any such substitution.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty and the relevant Noteholder successfully completes a claim for recovery of tax deducted under such double taxation treaty.

#### **EU Savings Directive disclosure**

Under the EU Savings Directive on taxation of savings income, each EU Member State is required to provide to the tax authorities of another EU Member State details of payments of interest or other similar income paid by a person established within its jurisdiction to, or secured by such a person for the benefit of, an individual resident or certain limited types of entity established in that other EU Member State. However, for a transitional period, Austria and Luxembourg are instead required (unless during such period they elect otherwise) to apply a withholding system in relation to such payments, deducting tax at the rate of 35 per cent pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or, introduced in order to conform to, such Directive. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non EU countries to the exchange of information relating to such payments.

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

The attention of Noteholders is drawn to Condition 7 of the Terms and Conditions of the Notes.

The European Council formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "Amending Directive"). The Amending Directive amends and broadens the scope of the requirements described above. EU Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive, which legislation must apply from 1 January 2017. The changes made under the Amending Directive include expanding the range of payments covered by the EU Savings Directive and extending the scope of the EU Savings Directive to payments made to, or secured for the benefit of, certain other entities and legal arrangements. Luxembourg confirmed that they will endorse the amendment to the EU Savings Directive and will provide the required information on interest payments (or similar income) to the tax authorities of other EU Member States under the automatic information exchange as of 1 January 2015 and will abolish the withholding system.

Switzerland and the European Commission have commenced negotiations on certain amendments to the agreement between the European Community and the Confederation of Switzerland dated as of 26 October 2004 providing for measures equivalent to those laid down in the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements discussed above.

Investors should inform themselves of, and where appropriate take advice on, the impact of the EU Savings Directive, as amended, on their investment.

### **The proposed FTT**

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “participating Member States”).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in financial instruments (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under the current European Commission proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in financial instruments where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a participating Member State or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.



## SUBSCRIPTION AND SALE

The Dealers have in an amended and restated dealer agreement (as further amended or supplemented from time to time, the “**Dealer Agreement**”) dated 19 May 2014 agreed with the Issuers as the basis upon which they or any of them may from time to time agree to subscribe for Notes. Any such agreement will extend to those matters stated under “Form of the Notes and the Capital Notes”, “Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes” and “Terms and Conditions of the Capital Notes” above. In the Dealer Agreement, the Issuers have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme.

### United States

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

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed that it will offer, sell and deliver Notes (i) as part of their distribution at any time and (ii) otherwise until forty days after the completion of the distribution of all Reg. S Notes of the Tranche of which such Notes are a part, as determined and certified to the Agent or the Issuer by the Relevant Dealer (or, in the case of a sale of a series of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Series purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager, in which case the Agent or the Issuer shall notify each such Dealer when all such Dealers have, or the Lead Manager has, so certified), only outside the United States to non-U.S. persons in accordance with Rules 903 and 904 of Regulation S under the U.S. Securities Act. Accordingly, each Dealer has represented and agreed that neither it, nor its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts (as defined in Rule 902 of Regulation S) with respect to the Notes, and that it and they have complied and will comply with the offering restrictions of Regulation S. Each Dealer has also agreed that, at or prior to confirmation of sale of the Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Reg. S Notes from it or through it during the distribution compliance period a confirmation or notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the above paragraph have the meanings given to them by Regulation S.

The Notes are being offered and sold only outside the United States to persons other than U.S. persons (“**foreign purchasers**”, which term includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners, other than an estate or trust) in reliance upon Regulation S. As used in this discussion of “Subscription and Sale” — “United States”, the terms “**Offshore transaction**”, “**United States**” and “**U.S. person**” have the meanings given to them in Regulation S.

Each purchaser of Notes will be deemed to have represented and agreed as follows:

- (1) It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a foreign purchaser that is outside the United States (or a foreign purchaser that is a dealer or other fiduciary as referred to above).
- (2) It acknowledges that the Notes have not been registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.
- (3) It agrees that the Issuer has no obligation to register the Notes under the U.S. Securities Act.
- (4) It will not resell or otherwise transfer any Notes within two years after the original issuance of the Notes except (A) to the Issuer or any subsidiary of the Issuer, (B) outside the United States in an Offshore transaction in compliance with Rule 904 under the U.S. Securities Act, (C) pursuant to the exemption from registration provided by Rule 144 under the U.S. Securities Act (if available) or (D) pursuant to an effective registration statement under the U.S. Securities Act.
- (5) It will give to each person to whom it transfers Notes notice of any restrictions on transfer of those Notes.
- (6) It understands that the Reg. S Notes offered will be represented by a Reg. S Global Note. Before any interest in a Reg. S. Global Note may be offered, sold, pledged or otherwise transferred to a person who is not a foreign purchaser, the transferee will be required to provide the Trustee with a written certification (the form of which certification can be obtained from the Trustee) as to compliance with the transfer restrictions referred to above.

(7) It understands that each of the Reg. S Notes will bear a legend substantially to the following effect unless otherwise agreed by the Issuer and the holder of particular Notes:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**U.S. SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OF BENEFIT OF, U.S. PERSONS. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE U.S. SECURITIES ACT, (2) AGREES THAT IT WILL NOT, PRIOR TO THE DATE THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY AND THE LAST DATE ON WHICH THE ISSUER OF THIS SECURITY OR ANY AFFILIATED PERSON OF THE ISSUER WAS THE OWNER OF THIS SECURITY, RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE ISSUER OR ANY SUBSIDIARY OF THE ISSUER, (B) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE U.S. SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT (IF AVAILABLE) OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED IN THIS STATEMENT, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “U.S. PERSON” HAVE THE MEANINGS GIVEN TO THEM BY REGULATIONS UNDER THE U.S. SECURITIES ACT.

(8) It will not sell or otherwise transfer Notes to, and each purchaser represents and covenants that it is not acquiring the Notes for or on behalf of, and will not transfer Notes to, any “employee benefit plan” as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 (“**ERISA**”) which is subject to Title I of ERISA or any “plan” as defined in Section 4975 of the Code, which is subject to Section 4975 of the Code (in such case, a “**Plan**”), or any entity the assets of which constitute “plan assets” of any Plan for the purposes of ERISA or Section 4975 of the Code (a “**Plan Entity**”).

(9) It acknowledges that the Trustee for the Notes will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to the Issuer and the Trustee that the restrictions described above have been complied with.

(10) It acknowledges that the Issuers, the Dealers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations and agreements deemed to have been made by its purchase of Notes are no longer accurate, it will promptly notify the Issuer and the Dealers. If it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each account.

#### **Public Offer Selling Restriction under the EU Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the relevant Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the

Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

## United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) **No deposit-taking:** in relation to any Notes which have a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the relevant Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## Japan

The Notes have not been and will not be registered under Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”) and disclosure under the Financial Instruments and Exchange Act has not been and will not be made with respect to the Notes. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it has not, directly or indirectly, offered, sold, resold or otherwise transferred and will not, directly or indirectly, offer sell, resell or otherwise transfer any Notes or any interest therein, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering resale or otherwise transferring, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and all other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities.

## General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable laws and regulations in force in any country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes any offering material in relation to such Notes and will obtain any consent, approval or permission required by it for the subscription, offer, sale or delivery by it of Notes or possession or distribution of such offering material under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such subscription, offer or sale.

No Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the relevant Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

**FORM OF FINAL TERMS OF THE SENIOR NOTES, DATED SUBORDINATED NOTES AND UNDATED  
SUBORDINATED NOTES**

Final Terms dated [●]

**[Zurich Finance (Luxembourg) S.A\*/  
Zurich Finance (UK) plc/Zurich Insurance Company Ltd]**  
Issue of [Aggregate Nominal Amount of Tranche] [Title of [[Dated][Undated] Subordinated] Notes]  
[Guaranteed by **Zurich Insurance Company Ltd**  
under the USD18,000,000,000  
**Euro Medium Term Note Programme**  
**Part A Contractual Terms**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 19 May 2014 [and the supplement to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (*Directive 2003/71/EC*) (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. [The Base Prospectus [, the supplement to the Base Prospectus, the Final Terms] [are] available for viewing on the website of the Luxembourg Stock Exchange [www.bourse.lu](http://www.bourse.lu) and at [website] [and] during normal business hours at [address] [and copies may be obtained from [address].]

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.*

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions contained in the Trust Deed dated [original date] and set forth in the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [●]] (the Conditions). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated [current date] [and the supplement to the Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and [current date] [and the supplements to the Base Prospectus dated [●] and [●]]. [The Base Prospectuses [, the supplements to the Base Prospectus, the Final Terms] are available for viewing on the website of the Luxembourg Stock Exchange [www.bourse.lu](http://www.bourse.lu) and at [website] [and] during normal business hours at [address] [and copies may be obtained from [address].]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

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(\* Include where ZF (Luxembourg) is the Issuer: *société anonyme* 26, Boulevard Royal, L-2449 Luxembourg, RCS number B 69748)

1. [(i)] [Guarantor (*not applicable to Notes issued by Zurich Insurance Company Ltd*): Zurich Insurance Company Ltd]
2. [(i)] Series Number: [     ]  
 [(ii)] Tranche Number: [     ]  
 [(iii)] Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about [date]]]
3. Specified Currency or Currencies: [     ]
4. Aggregate Nominal Amount of Notes admitted to trading: [     ]  
 [(i)] Series: [     ]  
 [(ii)] Tranche: [     ]
5. Issue Price: [     ] per cent of the Aggregate Nominal Amount [plus accrued interest from [●]]
6. [(i)] Specified Denominations: [     ] [[●] and integral multiples of [●] in excess thereof [up to and including ●]. [No notes in definitive form will be issued with a denomination above [●]]]
- [(ii)] Calculation Amount [     ]
7. [(i)] Issue Date: [     ]  
 [(ii)] Interest Commencement Date: [     ] [Not Applicable]
8. Maturity Date (for dated Notes only): [*specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year/Not Applicable*]
9. [(i)] Interest Basis: [[●] per cent Fixed Rate]  
 [LIBOR/ EURIBOR]  
 +/- [●] per cent  
 Floating Rate]  
 [Zero Coupon]  
 (further particulars specified below)

- [(ii)] Optional Deferral of interest for Subordinated Notes: [Applicable] [Not Applicable]
- [(iii)] Optional Deferral limited to 5 years upon loss of regulatory capital credit: [Yes] [No]
- [(iv)] Solvency Deferral of interest for Subordinated Notes: [Applicable] [Not Applicable]
- [(v)] Relevant Entity: [ZIC] [ZIG]
- [(vi)] Arrears of Interest payable at any time at Issuer's Election: [Yes in whole [or in part]] [No]
10. Redemption/Payment Basis: [Redemption at par/ ● per cent of par]
11. Change of Interest or Redemption/Payment Basis: [●/ Not Applicable]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. [(i) Status of the Notes: [Unsubordinated/Subordinated]
- [(ii)] [Status of the Guarantee: [Unsubordinated/Subordinated]
- [(iii)] [Date [Board] approval for issuance of Notes [and] Guarantee] obtained: [ ] [and [ ] , respectively]]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*
- [(iii)] Guarantee Amount (for Notes issued by Zurich Finance (Luxembourg) S.A. or Zurich Finance (UK) plc): [ ]
14. Condition 7(b)(ix) to apply: [Yes] [No]
15. Initial Permitted Non-Qualifying Lender[s]: [ ]

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

16. Fixed Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [ ] per cent per annum [payable [annually/semi annually/quarterly/monthly/other (specify)] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year
- (iii) Fixed Coupon Amount[(s)]: [ ] per Calculation Amount
- (iv) Broken Amount(s): [ ] per Calculation Amount payable on the interest Payment Date falling [in/on] [ ]
- (v) Fixed Day Count Fraction: [30/360/Actual/Actual ([ICMA])
- (vi) Determination Dates: [ ] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual ([ICMA])*
- [(vii) Mid Swap Rate:] [Applicable/Not Applicable]
- [(viii) Specified Mid Swap Rate:] [Not Applicable/[●]]
- [(ix) Mid Swap Rate Screen Page:] [Not Applicable/[●]]
- [(x) Reset Determination Date:] [Not Applicable/[●]]
- [(xi) Reset Period:] [Not Applicable/[●]]
- [(xii) Reset Margin:] [Not Applicable/[●]]
- [(xiii) Reset Date:] [Not Applicable/[●]]
- [(xiv) Specified Swap Duration:] [Not Applicable/[●]]

[(xv) Swap Rate Determination Agent:]	[Not Applicable/[●]]
17. Floating Rate Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph.)</i>
(i) Interest Period(s):	[ ]
(ii) Specified Interest Payment Dates:	[ ]
(iii) First Interest Payment Dates:	[ ]
(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(v) Additional Business Centre(s):	[ ]
(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[ ]
(viii) Screen Rate Determination:	
– Reference Rate:	[LIBOR/EURIBOR]
– Interest Determination Date(s):	[ ]
– Relevant Screen Page:	[ ]
(ix) ISDA Determination:	
– Floating Rate Option:	[Applicable/ Not Applicable]
– Designated Maturity:	[ ]
– Reset Date:	[ ]
(x) Margin(s):	[+/-][ ] per cent per annum
(xi) Minimum Rate of Interest:	[ ] per cent per annum
(xii) Maximum Rate of Interest:	[ ] per cent per annum
(xiii) Day Count Fraction:	[[Actual/Actual] [Actual/Actual/ ISDA] [Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]]
18. Zero Coupon Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) [Amortisation/Accrual] Yield:	[ ] per cent per annum
(ii) Reference Price:	[ ]
(iii) Any other formula/basis of determining amount payable:	[ ]

**Provisions Relating to Redemption**

19. Call Option:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Optional Redemption Date(s):	[ ]
(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Calculation Amount
(iii) If redeemable in part:	
(a) Minimum Redemption Amount:	[ ] per Calculation Amount
(b) Maximum Redemption Amount:	[ ] per Calculation Amount
(iv) Notice period:	[ ]
(v) Redemption of Subordinated Notes for Accounting Event:	[Applicable/Not Applicable]
(vi) Initial Accounting Treatment Methodology:	[liabilities/equity]
(vii) Redemption of Subordinated Notes for Capital Event:	[Applicable/Not Applicable]
(viii) Redemption of Subordinated Notes for Regulatory	[Applicable/Not Applicable]

- Event:
- (ix) Regular Redemption Price: [ ] per Calculation Amount
- (x) Special Redemption Price: [ ] per Calculation Amount
20. Put Option: [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Note: [ ] per Calculation Amount
- (iii) Notice period: [ ]
21. Final Redemption Amount of each Note [ ] per Calculation Amount
22. Early Redemption Amount: [ ]

Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default:

- [ ]
23. Maturity Date of Dated Subordinated Notes extended upon a Solvency Event in accordance with Condition 6(a): [Yes] [No]

### General Provisions Applicable to the Notes

24. Form of Notes: Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on 40 days' notice/in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [•] days notice]

[In the case of Bearer Notes whether Bearer Notes in definitive form may be exchanged for Registered Notes in accordance with Condition 10(a):] [Yes/No]

[Permanent Global Note exchangeable for Definitive Notes on 40 days' notice/in the limited circumstances specified in the Permanent Global Note]

[In the case of Reg. S Notes whether the Notes are to be represented on issue by a Reg. S Global Note or by Individual Registered Notes]: Registered Notes: [Reg. S Global Note exchangeable into Individual Registered Notes if requested by the holder upon not less than 40 days' notice/only in the limited circumstances described in the Base Prospectus] [Individual Registered Notes]

[In the case of Listed Swiss Franc Notes:] [Permanent Global SIS Note]

25. New Global Note Form: [Yes/No]
26. Payment Business Centre(s): [Not Applicable/[•]]
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No.]

28. Consolidation provisions:
- (i) Listed Swiss Franc Note: [Yes/No]

(ii) Identity of Principal Paying Agent and other Paying Agents: [ ]

29. Relevant Jurisdictions: [•]

30. Restricted Note (Condition 10(j) shall apply): [Yes] [No]

- (i) Restricted Note Minimum Denomination Amount: [ ]
- (ii) Restricted Note Transfer Amount: [ ]
- (iii) Number of Permitted Non-Qualifying Lenders [ ]



**Responsibility**

[(Relevant third party information) has been extracted from (specify source). The Issuer [and the Guarantor] confirm[s] that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (specify source), no facts have been omitted which would render the reproduced inaccurate or misleading.]

*Signed on behalf of the Issuer:*

By:.....  
Duly authorised

By: .....  
Duly authorised

*[Signed on behalf of the Guarantor:*

By:.....  
Duly authorised

By: .....  
Duly authorised]

## PART B — OTHER INFORMATION

### 1. Listing and Admission to Trading

- (i) Listing: [Luxembourg/other (*specify*)/None].
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market and listed on the Official List of the Luxembourg Stock Exchange with effect from [ ].] Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market and listed on the Official List of the Luxembourg Stock Exchange with effect from [ ].]  
[Not Applicable.] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.*)
- (iii) Estimate of total expenses related to admission to trading: [ ]

### 2. Ratings:

- Ratings: The Notes to be issued have been rated:
- [S & P: [●]]
- [Moody's: [●]]
- [[Other]: [●]]
- [and endorsed by [insert details]]<sup>2</sup>

### 3. [Interests of Natural and Legal Persons Involved in the [Issue/Offer]

*Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*

*“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]*

### 4. [Reasons for the Offer, Estimated Net Proceeds and Total Expenses

- [(i) Reasons for the offer: [ ]  
*(See [“Use of Proceeds”] wording in Base Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]*
- [(ii) Estimated net proceeds: [ ]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)]*
- [(iii) Estimated total expenses: [ ]. [Include breakdown of expenses.]  
*(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]*

### 5. [Yield (Fixed Rate Notes only)

- Indication of yield: [ ]]

### 6. Operational Information

- (i) ISIN Code: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking *société anonyme* and the relevant identification number(s): [Not Applicable/[●]]

<sup>2</sup> “and endorsed by...” Insert this wording where one or more of the ratings included in the Final Terms has been endorsed by an EU registered credit rating agency for the purposes of Article 4(3) of the CRA Regulation.

- (iv) Delivery: Delivery [against/free of] payment  
 Names and addresses of initial Paying Agent(s): [ ]
- (v) Names and addresses of additional Paying Agent(s) [ ]  
 (if any):
- (vi) Name and address of Common Safekeeper (if applicable): [Euroclear, Boulevard du Roi Albert II, B-1210 Brussels, Belgium]
- (vii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][*include this text for registered notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] /

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][*include this text for registered notes*] . Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## Distribution

7. (i) If syndicated, names of Managers: [Not Applicable/*give names*]  
 (ii) Stabilising Manager(s) (if any): [Not Applicable/*give names*]
8. If non-syndicated, name of Dealer: [Not Applicable/*give name*]
9. U.S. Selling Restrictions: [Reg. S Compliance Category: TEFRA C/TEFRA D/TEFRA not applicable]
10. Additional selling restrictions: [Not Applicable/Regulation S category 1/Regulation S category 2/Regulation S category 3/*give details*]

## FORM OF FINAL TERMS OF THE CAPITAL NOTES

Final Terms dated [●]

**Zurich Insurance Company Ltd**  
Issue of [Aggregate Nominal Amount of Tranche] Capital Notes  
under the USD18,000,000,000  
**Euro Medium Term Note Programme**  
**Part A Contractual Terms**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of Capital Notes set forth in the Base Prospectus dated [●] [and the supplement to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (*Directive 2003/71/EC*) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Capital Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. [The Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing on the website of the Luxembourg Stock Exchange [www.bourse.lu](http://www.bourse.lu) and at [website] [and] during normal business hours at [address] [and copies may be obtained from [address].]

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of Capital Notes (the Conditions) set forth in the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated [current date] [and the supplement to the Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [●]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and [current date] [and the supplements to the Base Prospectus dated [●] and [●]]. [The Base Prospectuses [and the supplements to the Base Prospectus] are available for viewing on the website of the Luxembourg Stock Exchange [www.bourse.lu](http://www.bourse.lu) and at [website] [and] during normal business hours at [address] [and copies may be obtained from [address].]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*

1. [(i)] Series Number: [ ]  
[(ii)] Tranche Number: [ ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible). [ ]*
2. Specified Currency or Currencies: [ ]
3. Aggregate Nominal Amount of Notes admitted to trading: [ ]  
[(i)] Series: [ ]  
[(ii)] Tranche: [ ]

4. Issue Price: [ ] per cent of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*if applicable*)]
5. (i) Specified Denominations:\*\* [ ]  
 [EUR 100,000 (or equivalent) and integral multiples of EUR 1,000 (or equivalent) in excess thereof up to and including EUR 199,000 (or equivalent). No Notes in definitive form will be issued with a denomination above EUR 199,000]\*
- (ii) Calculation Amount: [ ]  
 [Notes issued under the Programme which may be listed on the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or operating in a member state of the European Union may not have a minimum denomination of less than EUR 100,000 (or its equivalent in another currency)], or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by ZIC, ZF (UK) or ZF (Luxembourg) or by any entity to whose group ZIC, ZF (UK) or ZF (Luxembourg) belongs.]]
6. [(i)] Issue Date: [ ]  
 [(ii)] Interest Commencement Date: [ ] [Not Applicable]
7. Type of Note: [Dated] [Undated]  
 Solvency Deferred Interest Limitation: [Applicable][Not Applicable]  
 Relevant Solvency Deferred Interest: [Applicable][Not Applicable]
8. Maturity Date (for dated Notes only): [*specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year/Not Applicable*]
9. (i) Interest Basis: [ [●] per cent. Fixed Rate]  
 [*specify reference rate*]  
 +/- per cent. Floating Rate]  
 (further particulars specified below)
- (ii) Solvency Event: [Applicable] [Not Applicable]  
 [Cumulative] [Non-Cumulative]
- (iii) Trigger Event: [Applicable] [Not Applicable]
- (iv) Optional Non-Payment: [Applicable] [Not Applicable]  
 [Cumulative] [Non-Cumulative]
- (v) Optional Non-Payment limited to 5 years upon loss of regulatory capital credit: [Yes] [No]
- (vi) Relevant Entity: [ZIC/ZIG]
- (vii) Cash Settlement: [Applicable] [Not Applicable]

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\* This wording must be included in the case of an issue of Notes where the Specified Denominations are minimum denominations of EUR 100,000 (or equivalent) and integral multiples of EUR 1,000 (or equivalent).

\*\* If the Maturity date of the Notes (including Notes denominated in sterling) is less than one year from the Issue Date and either (a) the issue proceeds are received by the relevant Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) or (ii) another applicable exemption from section 19 of the FSMA must be available.

(viii) APM Settlement:	[Applicable. Time period from the beginning of deferral upon which Deferred Interest is cancelled to the extent not settled via APM is [●]] [Applicable in respect of Relevant Solvency Deferred Interest only. Time period from the beginning of deferral upon which Deferred Interest is cancelled to the extent not settled via APM is [●] ] [Not Applicable]
(ix) Commercially Reasonable Efforts:	[Applicable time period during which Issuer and ZIG shall continue to use their commercially reasonable efforts to operate the APM is [●]] [Not Applicable]
(x) Intention Statement:	[Applicable. Time period for which Issuer and ZIG intend to continue to voluntarily operate the APM in relation to Optionally Deferred Interest or Solvency Deferred Interest is [●]] [Not Applicable]
(xi) Period for purposes of limb (vi) of definition of APM Deferred Settlement Date:	[Not Applicable]/[ ]
(xii) Cash Deferred Settlement Date applicable limbs:	[Limbs (iv) and/or (vi) [apply]/[do not apply]]
(xiii) Condition 3(e)(vi) to apply:	[Yes] [No]
(xiv) Condition 3(d) to apply:	[Yes] [No]
10. Redemption/Payment Basis:	[Redemption at par/ ● per cent of par]
11. Change of Interest or Redemption/Payment Basis:	[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
12. Call Option:	[Issuer Call] [(further particulars specified below)]
13. Date [Board] approval for issuance of Notes obtained:	[ ]
14. Method of distribution:	[Syndicated/Non-syndicated]
15. Condition 7(b)(ix) to apply:	[Yes][No]
16. Initial Permitted Non-Qualifying Lender[s]:	[ ]

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

17. Fixed Rate Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(i) Rate[s] of Interest:	[ ] per cent per annum [payable [annually/semi annually/quarterly/monthly/other (specify)] in arrear]
(ii) Interest Payment Date(s):	[ ] in each year
(iii) Fixed Coupon Amount[s]:	[ ] per Calculation Amount
(iv) Broken Amount(s):	[ ] per Calculation Amount payable on the interest Payment Date falling [in/on] [ ]
(v) Day Count Fraction:	[30/360]/[Actual/Actual (ICMA)]
(vi) Determination Dates:	[ ] in each year <i>(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)</i>
(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
[(viii) Mid Swap Rate:]	[Applicable/Not Applicable]
[(ix) Specified Mid Swap Rate:]	[Not Applicable/give details]
[(x) Mid Swap Rate Screen Page:]	[Not Applicable/give details]
[(xi) Reset Determination Date:]	[Not Applicable/give details]
[(xii) Reset Period:]	[Not Applicable/give details]
[(xiii) Reset Margin:]	[Not Applicable/give details]

[(xiv) Reset Date:]	[Not Applicable/give details]
[(xv) Specified Swap Duration:]	[Not Applicable/give details]
[(xvi) Swap Rate Determination Agent:]	[Not Applicable/give details]
18. Floating Rate Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate)</i>
(i) Specified Period(s):	[ ]
(ii) Interest Payment Dates:	[ ]
(iii) First Interest Payment Dates:	[ ]
(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
(v) Additional Business Centre(s):	[ ]
(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[ ]
(viii) Screen Rate Determination:	
– Reference Rate:	[ ]
– Interest Determination Date(s):	[ ]
– Relevant Screen Page:	[ ]
(ix) ISDA Determination:	
– Floating Rate Option:	[ ]
– Designated Maturity:	[ ]
– Reset Date:	[ ]
(x) Margin(s):	[+/-][ ] per cent per annum
(xi) Minimum Rate of Interest:	[ ] per cent per annum
(xii) Maximum Rate of Interest:	[ ] per cent per annum
(xiii) Day Count Fraction:	[Actual/Actual]/[Actual/Actual]/[ISDA/Actual 365] (Fixed)/Actual/360/30/360/360/360/Bond Basis/30E/360/Eurobond Basis/30E/360 (ISDA)]
(xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]

### Provisions Relating to Redemption

19. Call Option:	Applicable
(i) Optional Redemption Date(s):	[ ] [NB: This should take account of any regulatory requirements as to minimum periods for call options].
(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Calculation Amount
(iii) If redeemable in part:	
(a) Minimum Redemption Amount:	[ ] per Calculation Amount
(b) Maximum Redemption Amount:	[ ] per Calculation Amount
(iv) Notice period:	[ ]
20.(i) Accounting Event	[Yes/No]
(ii) Initial Accounting Treatment Methodology:	[liabilities/equity]

21. Capital Event: [Yes/No]  
 22. Regulatory Event: [Yes/No]  
 23. Final Redemption Amount of each Note: [ ] per Calculation Amount  
 24. Early Redemption Amount: [ ]  
     Special Redemption Price: [ ]  
     Regular Redemption Price: [ ]  
 25. Maturity Date of Dated Capital Notes extended upon a Solvency Event in accordance with Condition 6(c): [Yes] [No]  
 26.(i) Maximum Period of Notice [•] days  
     (ii) Minimum Period of Notice [•] days

### General Provisions Applicable to the Notes

27. Form of Notes: Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on 40 days' notice/in the limited circumstances specified in the Permanent Global Note]  
 [Temporary Global Note exchangeable for Definitive Notes]  
 [Permanent Global Note exchangeable for Definitive Notes on 40 days' notice/in the limited circumstances specified in the Permanent Global Note]  
 [In the case of Bearer Notes whether Bearer Notes in definitive form may be exchanged for Registered Notes in accordance with Condition 10(a):] [Yes/No]  
 Registered Notes: [Reg. S Global Note and/or Individual Registered Notes (Specify whether/in what circumstances interests in the relevant Reg. S Global Note will be exchangeable for Individual Registered Notes and vice versa).]  
 [Listed Swiss Franc Notes: Permanent Global SIS Note]  
 28. Payment Business Centre(s) or other special provisions relating to Payment Days for the purpose of Condition 5(c): [Not applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which item 18(v) relates]  
 29. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]  
 30. Principal Paying Agent: [ ]  
 31. Relevant Jurisdictions: [Specify if different from those set out in Condition 6(b)]  
 32. Restricted Capital Note (Condition 10(j) shall apply): [Yes][No]  
     (i) Restricted Capital Note Minimum Denomination Amount: [ ]  
     (ii) Restricted Capital Note Transfer Amount: [ ]  
     (iii) Number of Permitted Non-Qualifying Lenders: [ ]

### Responsibility

The Issuer accepts responsibility for the information contained in these Final Terms. [(Relevant third party information) has been extracted from (specify source). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (specify source), no facts have been omitted which would tender the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:

By:.....  
 Duly authorised

By: .....  
 Duly authorised



## PART B — OTHER INFORMATION

### 1. Listing and Admission to Trading

(i) Listing:

[Luxembourg/other (*specify*)/None].

(ii) Admission to trading:

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market and listed on the Official List of the Luxembourg Stock Exchange with effect from [     ].] Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market and listed on the Official List of the Luxembourg Stock Exchange with effect from [     ].] [Not Applicable.] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.*)

(iii) Estimate of total expenses related to admission to trading:

[     ]

### 2. Ratings

Ratings:

The Notes to be issued have been rated:

[S & P: [●]]

[Moody's: [●]]

[[Other]: [●]]

[and endorsed by [*insert details*]]<sup>3</sup>

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

*Insert one (or more) of the following options, as applicable:*

*[[insert legal name of particular credit rating agency entity providing rating] is established in the EU and has applied for registration under Regulation (EC) No 1060/2009 (the "CRA Regulation"), although the result of such application has not yet been determined.]*

*[[insert legal name of particular credit rating agency entity providing rating] is established in the EU and registered under Regulation (EC) No 1060/2009 (the "CRA Regulation").]*

*[[insert legal name of particular credit rating agency entity providing rating] is not established in the EU and is not certified under Regulation (EC) No 1060/2009 (the "CRA Regulation") and the rating it has given to the [Notes] is not endorsed by a credit rating agency established in the EU and registered under the CRA Regulation.]*

*[[insert legal name of particular credit rating agency entity providing rating] is established in the EU and is neither registered nor has it applied for registration under Regulation (EC) No 1060/2009 (the "CRA Regulation").]*

*[[insert legal name of particular credit rating agency entity providing rating] is not established in the EU but the rating it has given to the [Notes] is endorsed by [insert legal name of credit rating agency], which is established in the EU and registered under Regulation (EC) No 1060/2009 (the "CRA Regulation").]*

*[[insert legal name of particular credit rating agency entity providing rating] is not established in the EU but is certified under Regulation (EC) No 1060/2009 (the "CRA Regulation").]*

<sup>3</sup> “and endorsed by...” Insert this wording where one or more of the ratings included in the Final Terms has been endorsed by an EU registered credit rating agency for the purposes of Article 4(3) of the CRA Regulation.

3. **[Interests of Natural and Legal Persons Involved in the [Issue/Offer]**

*Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*

*“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]*

4. **[Reasons for the Offer, Estimated Net Proceeds and Total Expenses:**

(i) Reasons for the offer: [ ]  
*(See [“Use of Proceeds”] wording in Base Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]*

[(ii)] Estimated net proceeds: [ ]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)]*

[(iii)] Estimated total expenses: [ ]  
*[Include breakdown of expenses.]*  
*(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]*

5. **[Yield (Fixed Rate Notes only)**

Indication of yield: [ ]

6. **Operational Information**

(i) ISIN Code: [ ]

(ii) Common Code: [ ]

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking *société anonyme* and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

(iv) Delivery: Delivery [against/free of] payment

(v) Names and addresses of initial Paying Agent(s): [ ]

(vi) Names and addresses of additional Paying Agent(s) (if any): [ ]

(vii) Name and address of Common Safekeeper (if applicable): [Euroclear, Boulevard du Roi Albert II, B-1210 Brussels, Belgium]

## GENERAL INFORMATION

1. The update of the Programme and the issue of Notes has been duly authorised by resolutions of the Board of Directors of ZF (Luxembourg) and ZF (UK), both dated 12 May 2014. The update of the Programme and the issue and guarantee of Notes has been duly authorised by resolutions of the Board of Directors of ZIC dated 20 and 21 October 2009 and 4 May 2011.
2. Application has been made for Notes issued under the Programme to be admitted to trading on the regulated market, and listed on the Official List, of the Luxembourg Stock Exchange.
3. So long as Notes are capable of being issued under the Programme, copies of the documents are, or will, when published, be available free of charge from the registered office of each Issuer and from the specified offices of the Paying Agent for the time being in Luxembourg and the documents set out in paragraph (iv) and (v) below will also be available for viewing on the Luxembourg Stock Exchange website at [www.bourse.lu](http://www.bourse.lu):
  - (i) the constitutional documents (with, if applicable, an English translation thereof) of each Issuer;
  - (ii) the most recent audited annual financial statements of ZF (Luxembourg), ZF (UK) and ZIC (in each case with, if applicable, an English translation thereof). Neither ZF (Luxembourg), ZF (UK) nor ZIC are required to publish interim accounts;
  - (iii) the Dealer Agreement, the Trust Deed, the Agency Agreement, the forms of the bearer and registered Global Notes and the Notes in bearer definitive and individual registered form, the Coupons, the Talons, each Senior ZIC Guarantee, each Subordinated ZIC Guarantee and each agency agreement entered into in relation to an issue of Listed Swiss Franc Notes (which will contain the form of permanent global certificate in respect of such Notes);
  - (iv) a copy of this Base Prospectus;
  - (v) any future base prospectuses, information memoranda and supplements to this Base Prospectus and any other documents incorporated herein or therein by reference, and Final Terms (save that Final Terms relating to a Note which is not admitted to listing, trading and/or quotation by any stock exchange, listing authority and/or quotation system will only be available for inspection at the registered office of the relevant Issuer by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer as to its holding and identity); and
  - (vi) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).
4. The Notes have been accepted for clearance through Euroclear (Boulevard du Roi Albert II B-1210 Brussels, Belgium), Clearstream (42 Avenue J F Kennedy, 1855 Luxembourg), Luxembourg and SIS. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg or SIS will be specified in the relevant Final Terms. The CUSIP numbers for each Tranche of Registered Notes, together with the relevant ISIN and common code, if applicable, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the relevant Final Terms.
5. The auditors of ZIC, for the years commencing 1 January 2013 and 2012, are PricewaterhouseCoopers AG, Birchstrasse 160, 8050 Zurich, Switzerland who are members of the Swiss Institute of Certified Accountants and Tax Consultants. The auditors of ZF (Luxembourg), for the years commencing 1 January 2013 and 2012, are PricewaterhouseCoopers Société coopérative, 400, route d'Esch, B. P. 1443, 1014 Luxembourg, Luxembourg who are members of the Institut des Réviseurs d'Entreprises. The auditors of ZF (UK), for the years commencing 1 January 2013 and 2012, are PricewaterhouseCoopers LLP, 31 Great George Street, Bristol BS1 5QD, United Kingdom who are members of the Institute of Chartered Accountants of England and Wales. The financial statements of the Issuers and the Guarantor have been audited by their respective auditors.
6. Since 31 December 2013 there has been no material adverse change in the prospects of ZIC, ZF (Luxembourg), ZF (UK) or the ZIC Group.
7. Since 31 December 2013 there has been no significant change in the financial or trading position of ZIC, ZF (Luxembourg), ZF (UK) or the ZIC Group.
8. Save as disclosed in this Base Prospectus on pages 108-109, there are no governmental, legal or arbitration proceedings (or any such proceedings which are pending or threatened of which any of the Issuers is aware) during the 12 months before the date of publication of this Base Prospectus which may have or have had in the recent past, significant effects on the financial position or profitability of any of the Issuers or on the ZIC Group.
9. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuers, the Guarantor and their affiliates in the

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

**THE ISSUERS**

**Zurich Finance  
(Luxembourg) S.A.**  
26, Boulevard Royal  
L-2449  
Luxembourg

**Zurich Finance (UK) plc**  
The Grange  
Bishops Cleeve  
Cheltenham  
Gloucestershire, GL52 8XX  
United Kingdom

**Zurich Insurance Company Ltd**  
Mythenquai 2  
CH-8002 Zurich  
Switzerland

**THE GUARANTOR**  
**(in respect of Notes issued by  
ZF (Luxembourg) and ZF (UK))**

**Zurich Insurance Company Ltd**  
Mythenquai 2  
CH-8002 Zurich  
Switzerland

**THE AGENT AND REGISTRAR**

**Citibank, N.A.**  
Citigroup Centre  
Canada Square  
London  
E14 5LB  
United Kingdom

**THE TRUSTEE**

**Citicorp Trustee Company Limited**  
Citigroup Centre  
Canada Square  
London  
E14 5LB  
United Kingdom

**THE PAYING AGENT AND TRANSFER AGENT**

**Banque Internationale à Luxembourg**  
69, route d'Esch  
L-2953 Luxembourg

## LEGAL ADVISERS

To Zurich Insurance Company Ltd and  
Zurich Finance (UK) plc  
**Freshfields Bruckhaus Deringer LLP**  
65 Fleet Street  
London EC4Y 1HS  
United Kingdom

To Zurich Finance (Luxembourg) S.A.  
**Arendt & Medernach**  
14, rue Erasme  
L-2082 Luxembourg  
Luxembourg

To Zurich Insurance Group Ltd  
and  
Zurich Insurance Company Ltd  
**Homburger AG**  
Prime Tower  
Hardstrasse 201  
CH-8005 Zurich  
Switzerland

To the Dealers and the Trustee in England  
**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ  
United Kingdom

**STATUTORY AUDITORS TO ZF (LUXEMBOURG)**  
**PricewaterhouseCoopers Société coopérative**  
400, route d'Esch  
B.P. 1443  
L-1014 Luxembourg

**AUDITORS TO ZF (UK)**  
**PricewaterhouseCoopers LLP**  
31 Great George Street  
Bristol  
BS1 5QD  
United Kingdom

**AUDITORS TO ZURICH INSURANCE COMPANY LTD**  
**PricewaterhouseCoopers AG**  
Birchstrasse 160  
Postfach  
CH-8050 Zurich  
Switzerland

## THE DEALERS

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

**BNP PARIBAS**  
10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**Commerzbank Aktiengesellschaft**  
Kaiserstraße 16 (Kaiserplatz)  
60311 Frankfurt am Main  
Federal Republic of Germany

**Crédit Agricole Corporate and Investment Bank**  
9, quai du Président Paul Doumer  
92920 Paris La Défense Cedex  
France

**Credit Suisse Securities (Europe) Limited**  
One Cabot Square  
London E14 4QJ  
United Kingdom

**Deutsche Bank AG, London Branch**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**Goldman Sachs International**  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**J.P. Morgan Securities plc**  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Merrill Lynch International**  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

**Morgan Stanley & Co. International plc**  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

**The Royal Bank of Scotland plc**  
135 Bishopsgate  
London EC2M 3UR  
United Kingdom

**UBS Limited**  
1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

## LUXEMBOURG LISTING AGENT

**Banque Internationale à Luxembourg**  
69, route d'Esch  
L-2953 Luxembourg

## **APPENDIX 2 – SECURITIES BASE PROSPECTUS SUPPLEMENT**

The page numbering in the supplement set out in Appendix 2 to this Offering Memorandum follows the page numbering in such supplement and not the page numbering in this Offering Memorandum.



**PROSPECTUS SUPPLEMENT DATED 13 APRIL 2015 TO THE BASE PROSPECTUS DATED  
19 MAY 2014**

**Zurich Finance (Luxembourg) S.A.**  
*(incorporated with limited liability in the Grand Duchy of Luxembourg)*  
**Zurich Finance (UK) plc**  
*(incorporated with limited liability in England and Wales)*  
**Zurich Insurance Company Ltd**  
*(incorporated with limited liability in Switzerland)*

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

**ZURICH INSURANCE COMPANY LTD**

**U.S.\$18,000,000,000  
Euro Medium Term Note Programme**

This document constitutes a prospectus supplement (the “**Prospectus Supplement**”), to the base prospectus dated 19 May 2014 that was published in connection with the above-mentioned Euro Medium Term Note Programme (the “**Base Prospectus**”) for the purposes of article 16 of the Prospectus Directive (as defined below) and must be read in conjunction with such Base Prospectus. Full information on the Issuers and the Guarantor and the offer of any Notes is only available on the basis of the combination of this Prospectus Supplement and the Base Prospectus. Copies of such Base Prospectus and this Prospectus Supplement have been filed with the *Commission de Surveillance du Secteur Financier* (the “**CSSF**”) and published and are available for viewing on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and at the head office of the Guarantor.

This Prospectus Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements to the Base Prospectus issued by the Issuers.

Terms used herein shall have the same meaning as ascribed to them in the Base Prospectus which constitutes a base prospectus for the purposes of article 5.4 of the Directive 2003/71/EC (as amended) (the “**Prospectus Directive**”), approved by the CSSF, in accordance with (i) article 7 of the Luxembourg law of 10 July 2005 on the prospectuses for securities (the “**Prospectus Law**”) implementing article 13 of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC; and (ii) the relevant annex(es) of the Commission Regulation (EC) No. 809/2004 of 29 April 2004.

To the extent that there is any inconsistency between (a) any statement in this Prospectus Supplement or any statement incorporated by reference into the Base Prospectus by this Prospectus Supplement and (b) any other statement in or incorporated in the Base Prospectus, the statements in (a) above will prevail.

Except as disclosed in this Prospectus Supplement and to the best of the knowledge and belief of each of the Issuers and the Guarantor, there has been no significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Base Prospectus.

Investors who have already agreed to purchase or subscribe for the Notes before publication of this Prospectus Supplement have the right, exercisable within a time limit of a maximum of two working days after the publication of this Prospectus Supplement, to withdraw their acceptances.

The distribution of the Base Prospectus, this Prospectus Supplement, any other supplements to the Base Prospectus and any Final Terms and the offering or sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession the Base Prospectus, this Prospectus Supplement, any other supplements to the Base Prospectus or any Final Terms come are required by the Issuers, the Guarantor, the Dealers and the Arranger to inform themselves about and to observe any such restriction. In particular, there are restrictions on the distribution of the Base Prospectus, this Prospectus Supplement, any other supplements to the Base Prospectus, any Final Terms and other information in relation to the Issuers, the Guarantor and the Notes, and the offering or sale of Notes in the United States, the European Economic Area, Ireland, the United Kingdom, Luxembourg and Japan.

For a further description of restrictions on offers, sales and transfers of Notes and distribution of the Base Prospectus, this Prospectus Supplement and any Final Terms, see “Subscription and Sale” in the Base Prospectus. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

None of the Base Prospectus, this Prospectus Supplement or any Final Terms constitutes an offer of, or an invitation by or on behalf of the Issuers, the Guarantor, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

## **RESPONSIBILITY**

Each of the Issuers and the Guarantor accepts responsibility for the information contained in its Prospectus Supplement as described above. Each of the Issuers and the Guarantor confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus Supplement is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

## **SUPPLEMENTAL INFORMATION INCORPORATED BY REFERENCE**

The information incorporated by reference on pages 19 – 21 (inclusive) of the Base Prospectus is supplemented by the addition of the following disclosures under the heading of “Information Incorporated By Reference” on page 19 to incorporate by reference the following documents, which have been filed with the CSSF and published and are available for viewing on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), all in accordance with the Prospectus Directive:

- (a) (i) the audited consolidated financial statements (including the auditors’ report thereon and notes thereto) of Zurich Insurance Company Ltd (“**ZIC**”) and its subsidiaries (collectively the “**ZIC Group**”) in respect of the year ended 2014 (the consolidated income statements being set out on page 43 of its 2014 annual report; the consolidated statements of comprehensive income being set out on pages 44 to 45 of its 2014 annual report; the consolidated balance sheets being set out on pages 46 to 47 of its 2014 annual report; the consolidated statements of cash flows being set out on pages 48 to 49 of its 2014 annual report; the consolidated statements of changes in equity being set out on pages 50 to 51 of its 2014 annual report; the notes to the financial statements being set out on pages 52 to 140 of its 2014 annual report; and the auditors’ report being set out on pages 142 to 143 of its 2014 annual report); and

(ii) the audited financial statements (including the auditors' report thereon and notes thereto) of ZIC, as included in the annual report mentioned in (i) above, in respect of the year ended 2014 (the income statements being set out on page 146 of the 2014 annual report; the balance sheet being set out on pages 148 to 149 of the 2014 annual report; the notes to the financial statements being set out on pages 150 to 161 of the 2014 annual report; and the auditors' report being set out on pages 162 to 163 of the 2014 annual report).

ZIC is not subject to the reporting requirements of the United States Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act").

ZIC will provide, without charge, to each person to whom a copy of the Base Prospectus and/or this Prospectus Supplement has been delivered, upon the request of such person, a copy of any or all of the documents incorporated herein by reference. Requests for such documents should be directed to ZIC at its office set out at the end of the Base Prospectus. In addition, such documents will be available free of charge from the principal office of the listing agent being Banque Internationale à Luxembourg (formerly Dexia Banque Internationale à Luxembourg S.A.) (the "Luxembourg Listing Agent") for Notes listed on the Official List and traded on the regulated market of the Luxembourg Stock Exchange.

<b>Information</b>	<b>Source</b>
<b>Information incorporated by reference of the ZIC Group</b>	
Consolidated Income Statement for the year ended 31 December 2014 .....	2014 Annual Report page 43
Consolidated Statements of Comprehensive Income for the year ended 31 December 2014 .....	2014 Annual Report pages 44-45
Consolidated Balance Sheet as at 31 December 2014 .....	2014 Annual Report pages 46-47
Consolidated Statement of Cash Flows for the year ended 31 December 2014 .....	2014 Annual Report pages 48-49
Consolidated Statement of Changes in Equity for the year ended 31 December 2014 .....	2014 Annual Report pages 50-51
Notes to the financial statements for the year ended 31 December 2014 .....	2014 Annual Report pages 52-140
Auditor's report for the year ended 31 December 2014.....	2014 Annual Report pages 142-143
<b>Information incorporated by reference of Zurich Insurance Company Ltd</b>	
Income Statement for the year ended 31 December 2014.....	2014 Annual Report page 146
Balance Sheet as at 31 December 2014.....	2014 Annual Report pages 148-149
Notes to the financial statements for the year ended 31 December 2014 .....	2014 Annual Report pages 150-161
Auditor's report for the year ended 31 December 2014.....	2014 Annual Report pages 162-163

#### **SUPPLEMENTAL DISCLOSURE IN RELATION TO ZURICH INSURANCE COMPANY LTD**

The description of ZIC on pages 98 to 108 (inclusive) of the Base Prospectus is supplemented by the addition of the following disclosures under the heading of "Zurich Insurance Company Ltd" on page 98.

## GENERAL INFORMATION

### Share Information

The description of the Share Information on page 98 of the Base Prospectus is supplemented by the addition of the following paragraphs.

“ZIC paid an ordinary dividend of CHF 2,500,000,000 on 9 April 2015 in respect of the financial year 2014.”

### The ZIC Group Key Segmental Information

The description of the ZIC Group Key Segmental Information on page 99 of the Base Prospectus is supplemented by the addition of the following disclosures.

Audited consolidated figures of the ZIC Group

<b>in USD millions, as reported for the year ended 31 December 2014</b>	<b>Gross written premiums and policy fees</b>	<b>Total BOP<sup>1</sup> revenues</b>	<b>Net income/(loss) before income taxes</b>
General Insurance.....	36,333	33,110	3,469
Global Life .....	14,594	30,519	1,929
Farmers.....	3,428	6,914	1,611
Other Operating Businesses .....	45	1,212	(995)
Non-Core Businesses .....	491	1,573	(96)
<b>Total ZIC Group(*) .....</b>	<b>54,781</b>	<b>71,440</b>	<b>5,917</b>

\* The Total ZIC Group information is presented after elimination of the inter-segment transactions, and as such does not reflect the sum of segment figures.

### The ZIC Group Key Financial Information

The description of the ZIC Group Key Financial Information on page 100 of the Base Prospectus is supplemented by the addition of the following disclosures.

<b>in USD millions</b>	<b>As at or for the year ended 31 December 2014 (audited)</b>	<b>As at or for the year ended 31 December 2013 (audited)</b>
Gross written premiums and policy fees .....	54,781	54,849
Net written premiums and policy fees.....	48,680	48,303
Net investment result on Group investments .....	9,239	7,504
Net income before income taxes .....	5,917	6,103

<sup>1</sup>Business Operating Profit (BOP): This measure is the basis on which the ZIC Group manages all of its business units. It indicates the underlying performance of the ZIC Group’s business units, after non-controlling interests, by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders’ taxes, net capital gains/(losses) and impairments on investments (except for the capital markets included in Non-Core Businesses, investments in hedge funds, certain securities held for specific economic hedging purposes and policyholders’ share of investment results for the life businesses) and non-operational foreign exchange movements. Significant items arising from special circumstances, including restructuring charges, charges for litigation outside the ordinary course of business, gains and losses on divestments of businesses, impairments of goodwill and the change in estimates of earn-out liabilities (with the exception of experience adjustments, which remain in BOP) are also excluded from BOP.

Net income after taxes attributable to shareholders.....	3,932	4,127
Total investments .....	339,708	341,783
Reserves for insurance contracts .....	253,719	265,440
Shareholders' equity.....	33,721	31,851

## Subsequent Events

The description of “Subsequent Events” on pages 100 and 101 of the Base Prospectus is supplemented by the addition of the following disclosures.

“On 2 June 2014, it was announced that ZIC has completed the successful issuance of CHF 200 million of undated subordinated notes to retail and institutional investors in the Swiss Franc domestic market with a coupon of 2.75 per cent per annum until September 2021, thereafter the coupon will reset every 7 years based on the then prevailing 7-year swap rate plus a margin of 2.078 per cent per annum. The notes were issued by ZIC under its Euro Medium Term Note Programme. The transaction was conducted for refinancing purposes.

On 27 June 2014, it was announced that ZIC has exercised its option to redeem EUR 143 million of subordinated debt on 15 July 2014 at par plus accrued interest.

On 3 July 2014, the Zurich Insurance Group announced the signing of an agreement with OLMA Group (OLMA) under which OLMA will acquire the Group’s General Insurance retail business in Russia, while retaining and further building on its Russian corporate business. On 30 October 2014, Zurich Insurance Group closed the sale of its General Insurance retail business in Russia to OLMA and paid the contractually agreed sales price which amounted to RUB 1 billion (USD 23 million), subject to a purchase price adjustment. A pre-tax loss of USD 247 million has been recorded within net gain/(loss) on divestments of business.

On 8 July 2014, it was announced that ZIC completed the successful issuance of CHF 600 million of senior unsecured notes in three tranches. The transaction consisted of a CHF 150 million bond with a maturity of 12 years and an annual coupon of 1.50%, a CHF 250 million bond with a maturity of 6 years and an annual coupon of 0.625% and a CHF 200 million bond with a maturity of 23 months and a quarterly coupon of 3 month CHF Libor plus 0.16%. The notes were issued by ZIC under its Euro Medium Term Note Programme to retail and institutional investors in the Swiss Franc domestic market. The transaction was conducted to refinance outstanding senior debt.

On 1 October 2014, the Zurich Insurance Group announced the entering into a distribution agreement with Via Varejo S.A. (Via Varejo) for the exclusive sale of extended warranty insurance through the Casas Bahia and Ponto Frio branded store networks of Via Varejo, covering almost 1,000 stores. The agreement became effective immediately and has a term of up to eight years. Zurich Insurance Group paid BRL 850 million (USD 350 million) under the distribution agreement to Via Varejo for channel exclusivity and commission advancement. Through the transaction the Zurich Insurance Group expects to generate a premium volume in excess of BRL 1.3 billion (approximately USD 530 million) in the first year. The Brazilian market for extended warranty insurance is the largest in Latin America.

On 12 February 2015, the Zurich Insurance Group announced the publication of its audited consolidated results for the financial year ended 31 December 2014.

On 1 April 2015, the Annual General Meeting of Zurich Insurance Group Ltd approved a gross dividend of CHF 17.00 per share. This gross dividend represented a 71 per cent payout of 2014

earnings, and was paid out of the capital contribution reserve within the shareholders' equity during the second quarter of 2015.

On 1 April 2015, the Annual General Meeting of Zurich Insurance Group Ltd elected Joan Amble and Kishore Mahbubani to the Board of Directors.”

## **GROUP EXECUTIVE COMMITTEE OF ZIC**

The description of the Group Executive Committee of ZIC on page 107 of the Base Prospectus is supplemented by the addition of the following paragraphs.

### **Group Executive Committee of ZIC**

On 16 June 2014, it was announced that Isabelle Welton had been appointed Group Head of Human Resources and that the position of Group Head of Human Resources will be elevated to the Group Executive Committee, effective 1 July 2014.

On 12 February 2015, it was announced that Cecilia Reyes, Chief Investment Officer, will take on the additional responsibility of Regional Chairman of Asia Pacific effective 1 April 2015, succeeding Geoff Riddell, who will be retiring. Mr. Riddell, who stepped down from the Group Executive Committee effective end of March 2015, will continue to be involved for a transition period.

Accordingly, the following persons form the Group Executive Committee of ZIC on the issuance date of this Prospectus Supplement:

<b><u>Name</u></b>	<b><u>Nationality</u></b>	<b><u>Function</u></b>
Martin Senn	Swiss	Chief Executive Officer
Jeff Dailey	U.S. American	Chief Executive Officer - Farmers Group, Inc.
Robert Dickie	British Citizen	Chief Operations and Technology Officer
Mike Foley	U.S. American	CEO North America Commercial and Regional Chairman of North America
Yannick Hausman	Swiss	Group General Counsel
Michael Kerner	U.S. American	CEO General Insurance
Axel P. Lehmann	Swiss	Chief Risk Officer and Regional Chairman of Europe
George Quinn	British Citizen	Chief Financial Officer
Cecilia Reyes	Swiss/Philippine	Chief Investment Officer and Regional Chairman of Asia-Pacific & Middle East
Kristof Terryn	Belgian	CEO Global Life
Isabelle Welton	Swiss	Chief Human Resources Officer

## **LEGAL PROCEEDINGS AND REGULATORY INVESTIGATIONS**

The description of the legal proceedings and regulatory investigations on page 107 to 108 (inclusive) of the Base Prospectus is supplemented by the addition of the following.

“In the Fuller-Austin Litigation, on 21 July 2014, the court issued a Tentative Statement of Decision for Phase 1A. The court ruled that all of the plaintiffs' fraudulent transfer causes of action were barred, and asked the plaintiffs to confirm on the record their concession that their unfair competition claims were also barred. The court allowed the plaintiffs' remaining claims to proceed, but held that the plaintiffs are bound by the insurance regulators' determinations that

the 1995 recapitalization was fair and in the best interests of Home's policyholders, including the plaintiffs.

In early 2015, certain plaintiffs committed to voluntarily dismiss their claims with prejudice in exchange for an agreement that the defendants will not pursue them for litigation costs.

The ZIC Group maintains that the Fuller-Austin Case is without merit and intends to continue to defend itself vigorously.”

#### **SUPPLEMENTAL DISCLOSURE IN RELATION TO GENERAL INFORMATION**

Paragraphs 6 and 7 on page 146 of the Base Prospectus are replaced by the following disclosures:

“6. Since 31 December 2014 there has been no material adverse change in the prospects of ZIC, ZF (Luxembourg), ZF (UK) or the ZIC Group.

7. Since 31 December 2014 there has been no significant change in the financial or trading position of ZIC, ZF (Luxembourg), ZF (UK) or the ZIC Group.”

\* \* \*

### **APPENDIX 3 – SECURITIES FINAL TERMS**

The page numbering in the final terms set out in Appendix 3 to this Offering Memorandum follows the page numbering in such final terms and not the page numbering in this Offering Memorandum.



**Zurich Insurance Company Ltd**  
Issue of USD300,000,000 Fixed-to-Floating Dated Subordinated Notes due 2045  
**under the USD18,000,000,000**  
**Euro Medium Term Note Programme**

**Part A – Contractual Terms**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Amended and Restated Trust Deed dated 19 May 2014 (the “**Trust Deed**”). This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with the Trust Deed.

1. Issuer:	Zurich Insurance Company Ltd
2. (i) Series Number:	39
(ii) Tranche Number:	1
3. Specified Currency or Currencies:	US dollars (“ <b>USD</b> ”)
4. Aggregate Nominal Amount of Notes:	
(i) Series:	USD300,000,000
(ii) Tranche:	USD300,000,000
5. Issue Price:	99.946 per cent. of the Aggregate Nominal Amount
6. (i) Specified Denominations:	USD200,000 and integral multiples of USD1,000 in excess thereof
(ii) Calculation Amount:	USD1,000
7. (i) Issue Date:	22 April, 2015
(ii) Interest Commencement Date:	Issue Date
8. Maturity Date (for dated Notes only):	The Interest Payment Date falling in October 2045
9. (i) Interest Basis:	4.250 per cent. Fixed Rate up to (but excluding) the First Call Date (as defined below) and thereafter 3 month USD Libor + 3.177 per cent. (further particulars specified below)
(ii) Optional Deferral of interest for Subordinated Notes:	Applicable
(iii) Optional Deferral limited to 5 years upon loss of regulatory capital credit:	No
(iv) Solvency Deferral of interest for Subordinated Notes:	Applicable
(v) Relevant Entity:	ZIC and/or ZIG
(vi) Arrears of Interest payable at any time at Issuer’s Election:	Yes in whole or in part
10. Redemption / Payment Basis:	Redemption at par
11. Change of Interest or Redemption / Payment Basis:	See paragraphs 16 and 17 below
12. Put / Call Options:	Issuer call (further particulars specified below)
13. (i) Status of the Notes:	Subordinated
(ii) Date Board approval for issuance of Notes obtained:	12 December 2014
14. Condition 7(b)(ix) to apply:	Yes

15. Initial Permitted Non-Qualifying Lender:

Willow No. 2 (Ireland) PLC

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

16. Fixed Rate Note Provisions:

Applicable

(i) Rate of Interest:

4.250 per cent. per annum payable annually in arrear from (and including) the Interest Commencement Date until (but excluding) the First Call Date

(ii) Interest Payment Date(s):

1 October in each year commencing on 1 October 2016 until and including the First Call Date (long first coupon)

(iii) Fixed Coupon Amount(s):

USD42.50 per Calculation Amount

(iv) Broken Amount(s):

USD61.27 per Calculation Amount payable on the Interest Payment Date falling on 1 October 2016

(v) Fixed Day Count Fraction:

30/360

(vi) Determination Dates:

Not Applicable

17. Floating Rate Note Provisions:

Applicable

(i) Interest Period(s):

Floating rate interest will be payable in respect of the period from and including the First Call Date to but excluding the First Interest Payment Date and thereafter for each period from and including an Interest Payment Date to but excluding the next Interest Payment Date (all as defined below)

(ii) Specified Interest Payment Dates:

1 January, 1 April, 1 July and 1 October of each year from and including the First Interest Payment Date to and including the Maturity Date

(iii) First Interest Payment Date:

1 January 2026

(iv) Business Day Convention:

Modified Following Business Day Convention

(v) Additional Business Centre(s):

Not Applicable

(vi) Manner in which the Rate(s) of Interest is/are to be determined:

Screen Rate Determination

(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent):

Not Applicable

(viii) Screen Rate Determination:

– Reference Rate:

3 month USD Libor

– Interest Determination Date(s):

Two business days in London prior to the first day in each Interest Period

– Relevant Screen Page:

Reuters LIBOR01 (or any successor or replacement page) as at 11.00 a.m. (London time) on each Interest Determination Date

(ix) ISDA Determination:

– Floating Rate Option:

Not Applicable

– Designated Maturity:

Not Applicable

– Reset Date:

Not Applicable

(x) Margin(s):

+3.177 per cent. per annum

(xi) Minimum Rate of Interest:

Not Applicable

(xii) Maximum Rate of Interest:

Not Applicable

(xiii) Day Count Fraction:	Actual/360
18. Zero Coupon Note Provisions:	Not Applicable
<b>Provisions Relating to Redemption</b>	
19. Call Option:	Applicable
(i) Optional Redemption Date(s):	Callable on 1 October 2025 (the “ <b>First Call Date</b> ”) and any Interest Payment Date thereafter USD1,000 per Calculation Amount
(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	
(iii) If redeemable in part:	
(a) Minimum Redemption Amount:	Not Applicable
(b) Maximum Redemption Amount:	Not Applicable
(iv) Notice period:	Not less than 15 nor more than 30 days
(v) Redemption of Subordinated Notes for Accounting Event:	Applicable at the Regular Redemption Price
(vi) Initial Accounting Treatment Methodology:	liabilities
(vii) Redemption of Subordinated Notes for Capital Event:	Applicable at the Regular Redemption Price
(viii) Redemption of Subordinated Notes for Regulatory Event:	Applicable at the Regular Redemption Price
(ix) Regular Redemption Price:	USD1,000 per Calculation Amount
(x) Special Redemption Price:	Not Applicable
20. Put Option:	Not Applicable
21. Final Redemption Amount of each Note:	USD1,000 per Calculation Amount
22. Early Redemption Amount:	
Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default:	USD1,000 per Calculation Amount
23. Maturity Date of Dated Subordinated Notes extended upon a Solvency Event in accordance with Condition 6(a):	Applicable

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

24. Form of Notes:	Individual Registered Notes
25. New Global Note Form:	No
26. Payment Business Centre(s):	London
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
28. Consolidation provisions:	Not Applicable
29. Relevant Jurisdictions:	See Condition 6(c)
30. Restricted Note (Condition 10(j) shall apply):	Yes
(i) Restricted Note Minimum Denomination Amount:	USD200,000
(ii) Restricted Note Transfer Amount:	USD200,000
(iii) Number of Permitted Non-Qualifying Lenders:	One

**Responsibility**

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

*Signed on behalf of the Issuer:*

By: .....  
Duly authorised

By: .....  
Duly authorised

## Part B – Other information

### 1. Listing and Admission to Trading

- |   |                |
|---|----------------|
| (i) Listing:  | None           |
| (ii) Admission to trading:  | Not Applicable |
| (iii) Estimate of total expenses related to admission to trading: | Not Applicable |

### 2. Ratings:

- |          |   |
|----------|---|
| Ratings: | The Notes to be issued are expected to be rated:<br>S & P: A<br>Moody's: A2 |
|----------|---|

### 3. Operational Information

- |  |  |
|--|--|
| (i) ISIN Code:   | Not Applicable   |
| (ii) Common Code:  | Not Applicable   |
| (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking <i>société anonyme</i> and the relevant identification number(s): | Not Applicable – the Notes are not being held in a Clearing System |
| (iv) Delivery:   | Delivery free of payment   |
| Names and addresses of initial Paying Agent(s):  | Not Applicable   |
| Names and addresses of additional Paying Agent(s) (if any):  | Not Applicable   |
| (v) Name and address of Common Safekeeper (if applicable):   | Not Applicable   |
| (vi) Intended to be held in a manner which would allow Eurosystem eligibility:   | No   |

### Distribution

- |  |                      |
|--|----------------------|
| 4. (i) If syndicated, names of Managers: | Not Applicable       |
| (ii) Stabilising Manager(s) (if any):    | Not Applicable       |
| 5. If non-syndicated, name of Dealer:    | Not Applicable       |
| 6. U.S. Selling Restrictions:            | TEFRA Not Applicable |
| 7. Additional selling restrictions:      | Not Applicable       |

**REGISTERED OFFICE OF THE ISSUER**

**Willow No. 2 (Ireland) PLC**  
2nd Floor  
Beaux Lane House  
Mercer Street Lower  
Dublin 2  
Ireland

**TRUSTEE AND THE MANAGERS' TRUSTEE**

**HSBC Corporate Trustee Company (UK) Limited**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**ENFORCEMENT AGENT**

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**ISSUING AND PAYING AGENT, REGISTRAR, CUSTODIAN AND TRANSFER AGENT**

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**CALCULATION AGENT AND REALISATION AGENT**

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

**AUDITOR OF THE ISSUER**

**Deloitte & Touche**  
Chartered Accountants  
Earlsfort Terrace  
Dublin 2  
Ireland

**LISTING AGENT FOR THE ISSUER**

**Maples and Calder**  
75 St. Stephens Green  
Dublin 2  
Ireland

**LEGAL ADVISERS**

*To the Managers and the Trustee  
in respect of English law*

**Linklaters LLP**  
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*To the Issuer  
in respect of Irish law*

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