

PROSPECTUS

# Close Brothers

## Close Brothers Finance plc

*(incorporated with limited liability in England and Wales with registered number 4322721)*

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**£1,000,000,000**

Euro Medium Term Note Programme

guaranteed by

Close Brothers Limited

*(incorporated with limited liability in England and Wales with registered number 195626)*

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Under this £1,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), Close Brothers Finance plc (the "**Issuer**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The payment of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Close Brothers Limited (the "**Parent Guarantor**") on an unsubordinated basis.

Notes may be issued in bearer or registered form (respectively "Bearer Notes" and "Registered Notes"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £1,000,000,000 (or its equivalent in other currencies calculated as set out in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "**General Description of the Programme**" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this 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 subscribe for such Notes.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks, see "Risk Factors".**

Application has been made to the Financial Conduct Authority (the "**FCA**") in its capacity as competent authority (the "**UK Listing Authority**") for Notes issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the Main Market of the London Stock Exchange.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, the Parent Guarantor and the relevant Dealer.

References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the Main Market of the London Stock Exchange and have been admitted to the Official List. The Main Market of the London Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC (as amended) (the "**Markets in Financial Instruments Directive**").

The Issuer has been assigned a Long Term/Short Term rating of Aa3 / P-1 (stable outlook) by Moody's Investors Service Limited ("**Moody's**"). The Parent Guarantor has been assigned a Long Term/Short Term rating of A / F1 (stable outlook) by Fitch Ratings Limited ("**Fitch**") and a Long Term/Short Term rating of Aa3 / P-1 (stable outlook) by Moody's. Each of Fitch and Moody's is established in the European Union and is registered under the Regulation 1060/2009/EC (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. Notes issued under the Programme may be rated or unrated by either of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche of Notes will be set out in the final terms document (the "**Final Terms**"), which, will be delivered to the UK Listing Authority and the London Stock Exchange. Copies of Final Terms will also be published on the website of the London Stock Exchange through a regulatory information service.

**Arranger**

**The Royal Bank of Scotland**

**Dealers**

**Barclays**

**HSBC**

**Société Générale Corporate & Investment Banking**

**UBS Investment Bank**

**Danske Bank**

**Lloyds Bank**

**The Royal Bank of Scotland**

The date of this Prospectus is 18 December 2015

In this document, references to the “Issuer” are to Close Brothers Finance plc; references to “CBL” or the “Parent Guarantor” are to Close Brothers Limited; and references to the “Group” are references to CBL and its subsidiaries.

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (including by Directive 2010/73/EU and including any relevant implementing measure in a relevant Member State of the European Economic Area) (the “Prospectus Directive”). This Prospectus supersedes the Prospectus dated 18 December 2014 and is valid for a period of 12 months from the date hereof. Any Notes issued under the Programme by the completion of the Final Terms on or after the date of this Prospectus are issued subject to the provisions of this Prospectus. This does not affect any Notes issued prior to the date hereof.

The Issuer and the Parent Guarantor accept responsibility for the information contained in this Prospectus and the Final Terms for each Tranche of Notes issued under the Programme.

To the best of the knowledge of the Issuer and the Parent Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

Neither the Dealers nor Citicorp Trustee Company Limited (the “Trustee”) have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made, and no responsibility or liability is accepted, by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer or the Parent Guarantor in connection with the Programme. Neither the Dealers nor the Trustee accept any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer or the Parent Guarantor in connection with the Programme.

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

Neither this Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Parent Guarantor, any of the Dealers or the Trustee that any recipient of this 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 Issuer and/or the Parent Guarantor. Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Parent Guarantor, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus, nor the offering, sale or delivery of any Notes, shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Parent Guarantor 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 Issuer or the Parent Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

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

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or any state securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. The Notes are being offered and sold only to non-U.S. persons outside the United States in reliance upon Regulation S under the Securities Act (“Regulation S”), see “Subscription and Sale”.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Parent Guarantor, the Dealers and the Trustee do not represent that this Prospectus 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 Issuer, the Parent Guarantor, the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this 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. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, European Economic Area (including the United Kingdom, The Netherlands and Italy), Japan, Singapore and Hong Kong, see “Subscription and Sale”.

This Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article

16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

All references in this document to “U.S. dollars”, “U.S.\$” and “\$” refer to United States dollars. In addition, all references to “Sterling” and “£” refer to pounds sterling and to “euro” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended.

This Prospectus may only be used for the purposes for which it has been published.

The Issuer and the Parent Guarantor may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes admitted to the Official List only) further listing particulars, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

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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) (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms 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(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action or over-allotment may begin on or after the date on which adequate public disclosure of the 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 by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the FCA (the “**Filed Documents**”) shall be incorporated in, and form part of, this Prospectus:

- (a) the auditors' report and audited annual non-consolidated financial statements of the Issuer for the financial years ended 31 July, 2014 and 31 July, 2015 respectively, which appear on pages 5 to 12 (inclusive) of the annual report of the Issuer for the year ended 31 July, 2014 and pages 5 to 12 (inclusive) of the annual report of the Issuer for the year ended 31 July, 2015;
- (b) the auditors' report and audited consolidated annual financial statements of the Parent Guarantor for the financial year ended 31 July, 2014 which appear on pages 12 to 46 (inclusive) of the annual report of the Parent Guarantor for the year ended 31 July, 2014;
- (c) the annual report and audited consolidated financial statements of the Parent Guarantor, together with the auditors' report thereon, for the financial year ended 31 July, 2015;
- (d) the terms and conditions of the notes which appear on pages 49 to 86 of the prospectus dated 18 December 2014 relating to the Programme under the heading “*Terms and Conditions of the Notes*”; and
- (e) the Memorandum and Articles of Association of the Issuer and the Parent Guarantor.

Following the publication of this Prospectus, a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Any documents themselves incorporated by reference in documents which are deemed to be incorporated in, and to form part of, this Prospectus, shall not form part of this Prospectus for the purposes of the Prospectus Directive.

Certain information contained in the documents listed above has not been incorporated by reference in this Prospectus. Such information is either (i) not considered by the Issuer and the Parent Guarantor to be relevant for prospective investors in the Notes to be issued under the Programme or (ii) is covered elsewhere in this Prospectus.

References in this Prospectus to websites are made for information purposes only and the contents of those websites do not form part of this Prospectus.

Copies of the documents incorporated by reference in this Prospectus can be obtained from the website of the Regulatory News Service operated by the London Stock Exchange at the following address: [www.londonstockexchange.com/news/market-news/rns/rns.htm](http://www.londonstockexchange.com/news/market-news/rns/rns.htm)

The tables below set out the page number references for certain sections of the Filed Documents. The sections denoted by those page number references form part of this Prospectus and are referred to in this Base Prospectus as the “information incorporated by reference”.

**Annual report and audited annual financial statements of the Issuer for the financial year ended 31 July, 2014**

<b>Information incorporated by reference into this Prospectus</b>	<b>Page numbers in “Annual Report and Accounts 2014”</b>
Independent auditor’s report to the members of Close Brothers Finance plc	Pages 5-6
Company balance sheet	Page 8
Notes on financial statements	Pages 9-12

**Annual report and audited annual financial statements of the Issuer for the financial year ended 31 July, 2015;**

<b>Information incorporated by reference into this Prospectus</b>	<b>Page numbers in “Annual Report and Accounts 2015”</b>
Independent auditor’s report to the members of Close Brothers Finance plc	Pages 5-6
Company profit and loss account	Page 7
Company balance sheet	Pages 8
Notes on financial statements	Pages 9-12

**Annual report and audited consolidated annual financial statements of the Parent Guarantor for the financial year ended 31 July, 2014**

<b>Information incorporated by reference into this Prospectus</b>	<b>Page numbers in “Annual Report and Accounts 2014”</b>
Independent auditor’s report to the members of Close Brothers Limited	Page 12
Consolidated profit and loss account	Page 13
Consolidated statement of total recognised gains and losses	Page 13
Consolidated balance sheet	Page 14
Company balance sheet	Page 15
Notes on financial statements	Pages 16-46

**Annual report and audited consolidated annual financial statements of the Parent Guarantor for the financial year ended 31 July, 2015**

<b>Information incorporated by reference into this Prospectus</b>	<b>Page numbers in “Annual Report and Accounts 2015”</b>
Profile of Close Brothers Limited	Page 2
Business highlights	Page 2
Strategic Report	Pages 4-9
Directors’ Report	Pages 10-12
Independent auditor’s report to the members of Close Brothers Limited	Page 13
Consolidated profit and loss account	Page 14
Consolidated statement of total recognised gains and losses	Page 14
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## **SUPPLEMENTAL PROSPECTUS**

The Issuer and the Parent Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes. The Issuer and the Parent Guarantor have undertaken to the Dealers in the Programme Agreement (as defined in “**Subscription and Sale**”) that they will comply with section 87G of the FSMA.

## GENERAL DESCRIPTION OF THE PROGRAMME

*The following general description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this general description.*

*The Issuer, the Parent Guarantor and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only, and if appropriate, a supplemental Prospectus will be published.*

*This Description constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.*

**Issuer:** Close Brothers Finance plc

**Parent Guarantor:** Close Brothers Limited

**Description:** Euro Medium Term Note Programme

**Arranger:** The Royal Bank of Scotland plc

**Dealers:** Barclays Bank PLC  
Danske Bank A/S  
HSBC Bank plc  
Lloyds Bank plc  
Société Générale  
The Royal Bank of Scotland plc  
UBS Limited

and any other Dealers appointed in accordance with the Programme Agreement.

**Trustee:** Citicorp Trustee Company Limited

**Certain Restrictions:** 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") including the following restriction applicable at the date of this Prospectus:

### **Notes having maturity of less than one year**

Notes having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting

deposits contained in section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “Subscription and Sale”.

<b>Issuing and Principal Paying Agent:</b>	Citibank, N.A., London Branch
<b>Registrar:</b>	Citigroup Global Markets Deutschland AG
<b>Programme Size:</b>	Up to £1,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer and the Parent Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
<b>Maturities:</b>	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, 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 Issuer or the relevant Specified Currency.
<b>Issue Price:</b>	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.
<b>Form of Notes:</b>	The Notes will be issued in bearer or registered form as described in “Form of the Notes”. Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i> .
<b>Fixed Rate Notes:</b>	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
<b>Floating Rate Notes:</b>	Floating Rate Notes will bear interest at a rate determined:  (i) on the same basis as the floating rate 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., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

- (ii) on the basis of the reference rate set out in the applicable Final Terms. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as the Issuer and the relevant Dealer may agree.

**Zero Coupon Notes:**

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

**Redemption:**

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “Certain Restrictions - Notes having a maturity of less than one year” above.

**Denomination of Notes:**

Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer, 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 (see “Certain Restrictions - Notes having a maturity of less than one year” above) and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such

currency).

- Taxation:** All payments in respect of the Notes will be made without withholding or deduction for or on account of taxes imposed by any Tax Jurisdiction, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, the Issuer or, as the case may be, the Parent Guarantor will, save in certain limited circumstances provided in Condition 8 (*Taxation*), be required to pay additional amounts to cover the amounts so withheld or deducted.
- Negative Pledge:** The terms of the Notes will contain a negative pledge provision, as further described in Condition 4 (*Negative Pledge*).
- Cross Default:** The terms of the Notes will contain a cross default provision as further described in Condition 10 (*Events of Default*).
- Status of the Notes:** The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4 (*Negative Pledge*), unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
- Guarantees:** The Notes will be unconditionally and irrevocably guaranteed by the Parent Guarantor on an unsubordinated basis (the “**Guarantee**”).
- The payment obligations of the Parent Guarantor under the Guarantee will be direct, unconditional and, subject to the provisions of Condition 4 (*Negative Pledge*), unsecured obligations of the Parent Guarantor and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations), if any, of the Parent Guarantor.
- Rating:** Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms, and will not necessarily be the same as the ratings assigned to the Issuer or the Parent Guarantor. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by

the assigning rating agency.

**Listing and admission to trading:** Application has been made for Notes issued under the Programme to be listed on the London Stock Exchange.

**Governing Law:** The Notes, and any non-contractual obligations arising out of or in connection with them, will be governed by, and shall be construed in accordance with, English law.

**Selling Restrictions:** There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom, The Netherlands and Italy), Japan, Singapore and Hong Kong 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".

The Issuer is Category 2 for the purposes of Regulation S under the Securities Act.

## **RISK FACTORS**

*Each of the Issuer and the Parent Guarantor believes that the following factors may affect its ability to fulfil its respective obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Parent Guarantor is 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 issued under the Programme are also described below.*

*Each of the Issuer and the Parent Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer or the Parent Guarantor may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and neither the Issuer nor the Parent Guarantor represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

*Terms and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Prospectus have the same meaning when used in this section.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under or in connection with the Programme**

#### ***The Issuer is a finance vehicle***

The Issuer's primary business is the raising of money for the purpose of on-lending to other members of the Group. The Issuer is not an operating company. The Issuer is a special purpose vehicle with no business other than issuing Notes.

Substantially all of the Issuer's assets are loans and advances made by the Issuer to other members of the Group. The Issuer is, therefore, dependent upon other members of the Group paying interest on, and repaying, their loans in a timely fashion. If any member of the Group failed to pay interest on, or repay, any loan in a timely fashion, this could have a material adverse effect on the ability of the Issuer to fulfil its obligations under the Notes. It is for this reason the Notes are guaranteed. By virtue of its dependence on other Group members, each of the risks described below that affect the Parent Guarantor will also indirectly affect the Issuer.

### **Factors that may affect the Parent Guarantor's ability to fulfil its obligations under the Guarantee**

#### ***The Group's risk management measures may not be successful***

The management of risk is an integral part of all of the Group's activities. Risk constitutes the Group's exposure to uncertainty and the consequent variability of return. Specifically, risk equates to the adverse effect on profitability or financial condition arising from different sources

of uncertainty, including credit risk (retail, wholesale and corporate), market risk, operational risk, securitisation risk, concentration risk, liquidity and funding risk, reputational risk, strategic risk, pension obligation risk, residual value risk and legal and regulatory risk. The Group seeks to monitor and manage its risk exposure through a variety of separate but complementary financial, credit, market, operational, compliance and legal reporting systems. While the Group employs a broad and diversified set of risk monitoring and risk mitigation techniques, such techniques, and the judgements that accompany their application, cannot anticipate every unfavourable event or the specifics and timing of every outcome. Accordingly, the Group's ability to successfully identify and balance risks and rewards, and to manage all material risks, is important. Failure to manage such risks appropriately could have a significant effect on the Group's business, financial condition and/or results of operations.

### ***Reputational risk***

The Parent Guarantor considers a loss of reputation to be a significant risk to a business operating in the financial services sector, and believes that the risk to its reputation would arise as a result of a failure to manage the Group's other risks. Harm to the Group's reputation can arise from numerous sources, including among others, employee misconduct, litigation, failure to deliver minimum standards of service and quality, compliance failures, breaches of legal and regulatory requirements, unethical behaviour (including inappropriate sales and trading practices), and the activities of customers and counterparties.

Actions by the financial services industry generally, or by certain members of, or individuals in, the industry can also affect the Group's reputation. For example, the role played by financial services firms in the financial crisis and the seeming shift toward increasing regulatory supervision and enforcement has caused public perception of the financial services industry to decline.

The Group places the highest importance on risk management at all levels of the organisation, and strives to demonstrate the highest level of integrity in all its activities, dedicating significant senior management time and other resources to ensure all employees are aware of the need to display the highest ethical standards in their day to day work. Despite these measures, the Group's ability to attract and retain customers and conduct business with its counterparties could be adversely affected if the Group's reputation or the Close Brothers brand is damaged. Failure to address, or appearing to fail to address, issues that give rise to reputational risk could damage the Parent Guarantor's reputation and materially and adversely affect its business, results of operations and prospects.

### ***Adverse Economic Conditions***

Despite the recent improved outlook in certain sectors of the global economy, there remains a significant degree of uncertainty about future economic development, and economic conditions remain challenging. There can be no assurance that economic conditions in these sectors will continue to improve, or that economic conditions as a whole across the markets in which the Group operates will improve significantly, or at all. In respect of the European economy, although the risk of sovereign default continued to decline in 2014 and 2015 due to the continuing actions of the European Central Bank and the EU and improving economic conditions, the risk of default and the possibility that the contagion effect spreads to other

member states of the European Union remains. Investors remain cautious and a slowing or failing of the economic recovery would likely aggravate the adverse effects of difficult economic and market conditions on the Group and on others in the financial services industry.

Demand for the Group's products and services is sensitive to economic conditions, particularly those within the UK. Whilst the UK economy is recovering and the UK government has taken measures to address the rising and high level of national debt, including reducing its borrowing and public spending cuts, the possibility of a renewed economic downturn, and the associated impacts on the Group's profitability, remains a real risk. The return of market instability and the reduced availability of credit could impact consumer confidence, increase market volatility, increase funding costs, reduce business activity and lead to increases in commercial and consumer loan delinquencies. Factors relating to general economic conditions such as consumer spending, business investment, government spending, the volatility and strength of both debt and equity markets, and inflation, all affect the profitability of the Group.

Due to the diversified nature of the Group's activities, variable and/or volatile economic conditions could impact the Group in a number of different ways including, among other things, lower demand for the Group's products and services, high bad debt charges due to the inability of customers to repay loans and associated interest and charges and reductions in asset values held as security for those loans. Historically, the Group has operated in specialist areas where staff have significant expertise of the market and its products, along with an in depth understanding of the requirements of the Group's customers, which has improved the Group's resilience, enabling it to trade profitably through economic downturns. However, in a sustained economic phase of low growth and high public debt, characterised by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, demand for the Group's products and services could be materially and adversely affected.

Economic stagnation, or a deterioration in economic conditions, could result in increase in impairments to the Group's loan book as a result of customers becoming unable to service debt and/or a reduction in the value of assets on which loans are secured, and declines in the market value of the debt securities held by the Group. Such instability and reduction in asset values could have a material adverse effect on the Group's business, financial condition and/or results of operations.

While the Group's risk management, internal control systems and overall business model are designed to enable it to trade profitably through downturns in the economic cycle, there can be no assurance that the Group's business, financial condition, results of operations and/or prospects will not be adversely affected by future deterioration in economic conditions.

### ***Exposure to UK political developments***

Any significant changes in UK government policies or political structure could have an impact on the Group's business. In particular, over the course of 2014 there was increased debate around the UK's relationship with the European Union and, following the general election in May 2015, the UK government has proposed that it will hold a referendum on the UK's membership of the EU by the end of 2017. The outcome of any future UK political developments, including but not limited to a UK exit from the EU following the referendum and any related changes in

government structure and policies, could affect the fiscal, monetary and regulatory landscape to which the Group is subject and therefore no assurance can be given that the Group's operating results, financial condition and prospects would not be adversely impacted as a result.

### ***Credit Rating Downgrades***

#### *Credit ratings assigned to members of the Group*

Credit ratings affect the cost and other terms upon which the Group, including the Parent Guarantor, is able to obtain funding. Rating agencies regularly evaluate the Group and certain members of the Group, as well as their respective debt securities. Their ratings are based on a number of factors, including the financial strength of the Group (or of the relevant member) as well as conditions affecting the financial services industry generally. There can be no assurance that the rating agencies will maintain the Group's or the relevant member's current ratings or outlook, especially in light of the difficulties in the financial services industry and the financial markets in recent years. Any reduction in those ratings and outlook could increase the cost of the Group's funding, limit access to capital markets, and require additional collateral to be placed and, consequently, adversely affect the Group's interest margins and/or affect its liquidity position.

#### *Credit rating assigned to the UK*

In February and April 2013, respectively, Moody's and Fitch reduced the UK's long-term ratings, from Aaa to Aa1 (in the case of Moody's) and from AAA to AA+ (in the case of Fitch) and, subsequently on 18 December 2013, Fitch affirmed its AA+/F1+ long- and short-term unsolicited sovereign credit ratings for the UK. On 20 December 2013, S&P affirmed its AAA/A-1+ long- and short-term unsolicited sovereign credit ratings for the UK, with a negative outlook. Although on 22 May 2014 S&P revised the outlook to stable, on 12 June 2015, S&P changed the outlook back to negative. Although these actions have not impacted the credit ratings assigned to the Issuer or the Parent Guarantor by the rating agencies, any further downgrade of the UK sovereign credit rating or the perception that such a downgrade may occur could result in disruption to markets and/or have an adverse impact on the credit rating of the Issuer and the Parent Guarantor. In addition, such a downgrade (or the perceived likelihood of such a downgrade occurring) would be likely to materially and adversely affect consumer confidence and restrict the availability, and increase the cost, of funding for individuals and companies. Such effects may lead to a deterioration in the UK economy, for example an increase in the level of unemployment and/or reductions in asset prices. These changes may, in turn, adversely affect the Group's borrowing costs and its ability to fund itself and have a material adverse effect on its operating results, financial condition and prospects.

### ***Credit/Counterparty Risk***

The Group places deposits with, and holds debt securities of, counterparties, and such deposits and holdings of debt securities may be material in amount. The Group also enters into derivative contracts with counterparties, which create an exposure through the life of those contracts. The credit quality of the counterparties with whom the Group places deposits, whose debt securities the Group holds, and with whom the Group transacts, is monitored by the risk and compliance committees within the Group against established limits, and such limits comply with the large

exposure limits imposed by the regulatory requirements to which the Group is subject. There can, however, be no assurance that the Group would not incur financial loss if any such counterparties were to default or fail.

The Group's lending activities also give rise to credit risk. The Group has a loan book of £5.7 billion comprised of loans to a range of corporate customers, SMEs and individuals and remains exposed to credit losses if these customers are unable to repay loans and any outstanding interest and fees. Failure to recover the amounts lent or the interest and fees associated with those loans could result in a significant bad debt charge. The Group adheres to strict lending criteria and places significant emphasis on the quality of any security provided. The Group's loan book is predominantly secured with conservative loan to value ratios. Average loan size remains small with short average tenor. The portfolio is diversified with a limited number of individual deals which could materially impact the Group's earnings.

Within the Group, the overall credit risk appetite is set by the board of directors of the Parent Guarantor. The monitoring of credit policy is the responsibility of the Group's Risk and Compliance Committees. All large loans are subject to approval by the Group's Credit Committee. The Group's Retail, Commercial and Property divisions each use credit underwriting and monitoring measures appropriate to the diverse and specialised nature of their lending. Rigorous and timely collections and arrears management processes are also in place. The Group assigns exposure limits to wholesale institutions in order to manage the Group's liquidity and market risk (predominantly interest rate risk). Where appropriate, the Group seeks to ensure that all derivative transactions are cash collateralised on market appropriate terms.

Despite these measures, there can be no assurance that the Group's financial performance will not be adversely affected should unforeseen events relating to credit or counterparty risks arise in future.

### ***Funding risk***

The Group requires access to sources of funding to support its client lending whilst maintaining a conservative liquidity position. The Group's inability to source sufficient funding could constrain growth and, in extreme circumstances, require the Group to reduce lending levels. Since the banking crisis in late 2008, the Group has diversified its sources of funding, by type and by tenor, and the cost and availability of these sources continues to fluctuate. Although the Group has been able to access sufficient funding to support its operations, there can be no assurance that sufficient funding would always be available to the Group in future.

### ***Liquidity risk***

Liquidity risk is the risk that the Group will have insufficient liquidity to meet its liabilities as they fall due, or that the Group can only meet such liabilities at a prohibitive price. A lack of available liquid resources would constrain the Group's ability to pursue its strategic objectives.

The Group has a prudent liquidity position, with funding appropriately in excess of its loans and advances to customers. The Group holds a large amount of high quality liquid assets in the form of cash placed on deposit with the Bank of England, gilts and Treasury bills. The Group monitors liquidity risk using a variety of measures, including regular stress testing and cash flow

monitoring, and reporting to both the Group and divisional boards. Despite these measures, there can be no assurance that the Group would always have sufficient liquidity such that the Group's results of operations, financial condition and cash flows could not be materially and adversely affected.

Disruption and volatility in the global financial markets could have a material adverse effect on the Group, including its ability to access capital and liquidity on financial terms acceptable to it. The Group's cost of obtaining funding is directly related to the prevailing market interest rates and to its credit spreads. Increases in interest rates and the Group's credit spreads can significantly increase the cost of its funding. Changes in the Group's credit spreads are market-driven, and may be influenced by market perceptions of its creditworthiness. Changes to interest rates and the Group's credit spreads occur continuously and may be unpredictable and highly volatile.

Although central banks around the world have made coordinated efforts to increase liquidity in the financial markets by taking measures such as increasing the amounts they lend directly to financial institutions, lowering interest rates and significantly increasing temporary reciprocal currency arrangements (or swap lines), it is not known how long central bank schemes will continue or on what terms.

The availability of central bank facilities for UK financial institutions, to the extent that they provide the Group with access to more attractive funding than other sources, reduces the Group's reliance on retail or wholesale markets. To the extent that the Group makes use of central bank facilities, any significant reduction or withdrawal of those facilities would increase the Group's funding costs. In addition, other financial institutions who have relied significantly on governmental support to meet their funding needs will also need to find alternative sources of funding and, in such a scenario, the Group expects to face increased competition for funding, particularly retail funding which the Group utilises. This competition could further increase the Group's funding costs and so adversely impact its results of operations and financial position. The Group's cost of funding could also increase as a result of an increase in interest rates by the Bank of England.

Each of the factors described above - the persistence or worsening of adverse market conditions, and the lack of availability, or withdrawal, of such central bank schemes or an increase in base interest rates - could have a material adverse effect on the Group's ability to access liquidity and cost of funding (whether directly or indirectly).

### ***Legal and Regulatory Risk***

The Group operates in a highly regulated environment. Following the banking crisis of late 2008, the banking and financial services sector, and the regulatory framework in which it operates, has been under heavy scrutiny.

The Group is subject to a number of legal and regulatory risks, further details of which are set out below:

#### *Capital requirements*

The Parent Guarantor is subject to capital adequacy requirements adopted by the Prudential Regulatory Authority (“**PRA**”) for banks. Any failure by the Parent Guarantor to comply with such requirements may result in the Parent Guarantor being subject to administrative actions or sanctions which may affect its ability to fulfil its obligations.

Between 2010 and 2014, the Basel Committee on Banking Supervision issued a number of fundamental reforms to its regulatory capital framework intended to strengthen minimum capital requirements (referred to as “**Basel III**”). The changes in Basel III included, among other things, the requirement for institutions to comply with a leverage ratio (in addition to the risk-based regulatory capital requirements to which they are currently subject) and for institutions to build counter-cyclical capital buffers that may be drawn upon in stress scenarios. Basel III also increased the amount and quality of Tier 1 Capital that institutions are required to hold.

The European Union has implemented Basel III through the Capital Requirements Directive IV and Capital Requirements Regulation (“**CRD IV / CRR**”) legislative package. CRD IV / CRR came into effect on 1 January 2014, with particular requirements to be fully effective by 2019. CRD IV / CRR substantially reflects the Basel III capital and liquidity standards and facilitates the applicable implementation timeframes. However, certain issues continue to remain under discussion and certain details remain to be clarified in further binding technical standards to be issued by the European Banking Authority. In the UK, the PRA and the FCA have issued new rules and supervisory statements in connection with the implementation of CRD IV / CRR.

Under CRD IV / CRR, banks are required to meet two new liquidity standards, comprising the Liquidity Coverage Ratio (“**LCR**”) and the Net Stable Funding Ratio (“**NSFR**”), which are aimed to promote (i) the short-term resilience of banks’ liquidity risk profiles by ensuring they have sufficient high quality liquid assets to survive a significant stress scenario, and (ii) a longer-term resilience by creating incentives for banks to fund their activities with more stable sources of funding on an on-going basis.

In June 2015, the PRA set out its final rules relating to the implementation of the European Commission’s delegated act concerning the LCR. In the UK, the LCR will be phased in from 1 October 2015, on which date a 80 per cent. requirement will apply; it is intended that this will rise to 90 per cent. on 1 January 2017 and 100 per cent. on 1 January 2018, in line with CRD IV / CRR requirements. The PRA has also issued a supervisory statement, together with certain further guidance material, concerning the reporting of LCR data, with which it expects firms to comply from 1 October 2015.

The NSFR, which is defined as the amount of available stable funding relative to the amount of required stable funding, will be implemented on 1 January 2018. A bank will be required to hold a NSFR of at least 100 per cent. on an on-going basis and to report its NSFR quarterly.

The Group has disclosed its capital ratios under the transitional arrangements set out in CRD IV / CRR which came into force on 1 January 2014, and does not expect to be materially impacted by the full implementation of CRD IV / CRR. However, certain details remain to be clarified in further binding technical standards in relation to CRD IV / CRR, and the PRA may impose more stringent capital requirements on UK banks than those required by Basel III and CRD IV / CRR in the future.

### *Other forms of legal and regulatory risk*

In addition to Basel III and CRD IV / CRR, regulators in the UK and worldwide have produced a range of proposals for legislative and regulatory changes which could force the Group to comply with certain operational restrictions or take steps to raise further capital, or which could increase the Group's expenses, or otherwise adversely affect the Group's operating results, financial condition and prospects. These include:

- the introduction of recovery and resolution planning requirements (popularly known as "living wills") for banks and other financial institutions as contingency planning for the failure of a financial institution that may affect the stability of the financial system, as set out in the PRA's final rules on recovery and resolution planning which came into force on 1 January 2014;
- implementation of an EU-wide framework for the recovery and resolution of credit institutions and investment firms under the Bank Recovery and Resolution Directive, as set out in further detail in the risk factor entitled "*Risks relating to the Banking Act 2009 and similar European legislation*";
- the introduction of more regular and detailed reporting obligations;
- proposed revisions to the approaches for determining trading book capital requirements and banking book risk-weighted assets from the Basel Committee; and
- proposed revisions to the standardised approach to credit risk by the Basel Committee to address certain weaknesses identified (which include an over-reliance on external credit ratings, a lack of risk sensitivity and misalignment of treatment with exposures risk weighted under the internal ratings-based approach to credit risk).

Effective management of the Group's capital position is important to its ability to operate its business. Any future change that limits the Group's ability to manage its balance sheet and capital resources effectively, or to access funding on commercially acceptable terms, could have a material adverse effect on the Group's business, financial condition and/or results of operations.

On 1 April 2014, consumer credit regulation was transferred from the Office of Fair Trading to the FCA in accordance with provisions under the Financial Services Act 2012. Firms carrying on regulated consumer credit activities now require authorisation under FSMA. Under FSMA, carrying on such activities (including credit broking and entering into or servicing credit agreements) otherwise than in accordance with permission from the FCA will render a credit agreement unenforceable without FCA approval and the FCA also has the power to render unenforceable contracts made in contravention of its rules on cost and duration of credit agreements or in contravention of its product intervention rules. The Financial Services Act 2012 also provides for formalised co-operation to exist between the FCA and the Financial Ombudsman Service (which determines complaints by eligible complainants in relation to authorised financial services firms, consumer credit licensees and certain other businesses), particularly where issues identified potentially have wider implications with a view to the FCA requiring firms to operate consumer redress schemes.

Firms carrying on regulated consumer credit activities must now comply with the relevant provisions of FSMA and related secondary legislation, the FCA's Consumer Credit Sourcebook ("**CONC**") and the provisions of the Consumer Credit Act 1974 and related secondary legislation which have been retained following the transfer of the regime. Failure to comply with prescriptive requirements regarding the form and content of credit agreements and the issuance of certain post-contract documentation may render an agreement unenforceable. In addition, failure to comply with the FCA's CONC rules may lead to regulatory enforcement action, which in some cases could affect a firm's ability to recover relevant debts.

On 16 June, 2010, the Chancellor of the Exchequer announced the creation of the Independent Commission on Banking (the "**ICB**"), chaired by Sir John Vickers. The ICB was asked to consider structural and related non-structural reforms to the UK banking sector to promote financial stability and competition, and to make recommendations to the Government.

The ICB gave its recommendations on 12 September, 2011 and proposed: (i) implementation of a retail ring fence, (ii) increased capital requirements and (iii) improvement of competition. The ICB's recommendations were broadly endorsed by the UK Government and on 18 December 2013, the Banking Reform Bill (as amended) received Royal Assent in the House of Lords as the Financial Services (Banking Reform) Act 2013 (the "**Banking Reform Act**"). Among other things, the Banking Reform Act:

- provides HM Treasury and the PRA powers to implement the ICB recommendations;
- introduces a 'senior managers' regime and a 'certification' regime, replacing the existing approved persons regime established under FSMA (as amended by the Financial Services Act 2012). The FCA and PRA are due to publish final rules and guidance for firms by the end of 2015 and the regime will enter into force on 7 March 2016;
- introduces a new criminal offence for reckless misconduct in the management of a bank, which is anticipated to come into force on 7 March 2016;
- establishes a new payment systems regulator, which became fully operational on 1 April 2015;
- amends the Banking Act 2009 to include a bail-in stabilisation option forming part of the special resolution regime (see the Risk Factor entitled "*Risks relating to the Banking Act 2009 and similar European legislation*" for further detail); and
- introduces a retail ring fence for certain large UK banking groups. In 2015, the PRA published its near-final rules on guidance and both the PRA and FCA expect to publish final rules in the first half of 2016. These provisions are anticipated to come into force on 1 January 2019.

Implementation of the proposals may require the Group to make changes to its structure and business. While the Group is not (and does not currently expect to be) subject to the requirement to implement a retail ring fence, the ring fencing requirements will have a material impact on the UK banking landscape, including, potentially, on the sources of funding available

to the Group and its relationship with other financial institutions which are subject to ring fencing requirements.

In addition, the resolution of a number of issues, including regulatory investigations and reviews and court cases, affecting the UK financial services industry could have an adverse effect on the Group's operating results, financial condition and prospects, or its relations with its customers and potential customers.

The uncertainty over the exact details of such proposed changes, and the costs associated with compliance with both presently anticipated changes to the regulatory environment, and potential future changes, all have the potential to impact on the Group's earnings. Changes in supervision and regulation, in particular in the UK, could materially affect the Group's business, the products and services it offers, the value of its assets and its ability to respond to the requirements of the relevant UK regulatory authorities.

The Group monitors regulatory developments and engages in dialogue with regulatory authorities on a regular basis and continues to maintain a conservative model with a strong, well capitalised balance sheet, and believes it is well placed to react to regulatory change. Each of the Group's regulated businesses has a dedicated compliance officer who is responsible for supporting the business in meeting its regulatory compliance objectives and for executing risk-based monitoring programmes to confirm compliance. The activities of these compliance professionals are co-ordinated and overseen on a Group-wide basis by the head of Group compliance to whom they report.

Despite these measures, there can be no assurance that the Group's financial performance will not be adversely affected should unforeseen events relating to legal and regulatory risk arise in the future.

The Group cannot predict the timing or form of any current or future regulatory or law enforcement initiatives and no assurance can be given as to the impact of any possible change to the law (including any change in regulation which may occur without a change in primary legislation), administrative practice or tax treatment after the date of this Prospectus. Similarly, no assurance can be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes.

#### *Financial Services Compensation Scheme*

The Parent Guarantor, by virtue of being a FCA regulated deposit taker, contributes to the Financial Services Compensation Scheme ("**FSCS**") which provides compensation to customers of financial institutions in the event that an institution is unable, or is likely to be unable, to pay claims against it. The FSCS raises annual levies from the banking industry to meet its management expenses and compensation costs and individual institutions make payments based on their level of market participation.

Whilst it is anticipated that the substantial majority of any compensation claims will be repaid wholly from recoveries from the institutions concerned, in the event of a shortfall, the FSCS may place additional levies on all FSCS participants, which may be in significant amounts and have a material impact on the Group's profits. For example, in order to meet its obligations to the

depositors of a number of failed institutions the FSCS, in 2008, borrowed amounts from HM Treasury. It is anticipated that these borrowings will be repaid substantially from the realisation of the assets of the failed institutions. However, the FSCS estimates that the assets of these failed institutions are insufficient and is recouping the shortfall in the form of additional levies based on the level of market participation of individual institutions. The FSCS is collecting the estimated shortfall in three roughly equal instalments. The first instalment was in scheme year 2013/14 and the Group made a contribution of £1.3 million in August 2013. The Parent Guarantor has accrued £1.8 million (2014: £2.2 million) for its share of levies that will be raised by the FSCS, including the interest on the loan from HM Treasury, in respect of the levy years to 31 March 2015.

Further reform initiatives may also result in changes to the FSCS which could result in additional costs and risks for the Group. It is possible that future policy of the FSCS and future levies on the firms regulated by the FCA or the PRA may differ from those at present. In April 2014, the recast EU directive on deposit guarantee schemes (“**DGSD**”) was adopted and was published in the official journal on 12 June 2014. The DGSD requires deposit guarantee schemes to be ex-ante (before the event) funded and for their available financial means to reach a minimum target level of 0.8 per cent. of the covered deposits of their members by 2024. The DGSD was transposed into UK law by the Deposit Guarantee Scheme Regulations 2015, which came into force on 26 March 2015 and 3 July 2015. The PRA has now finalised its rules implementing the recast DGSD including, amongst other things, a revised compensation limit of £75,000 and an extension of deposit protection to certain categories of depositors not previously protected. The Group may incur additional costs and liabilities as a result of such changes, which may adversely affect its operating results, financial condition and prospects.

### ***Legal, compliance and conduct risk***

The Group is exposed to many forms of legal, compliance and conduct risk, which may arise in a number of ways. Primarily:

- certain aspects of the Group's business may be determined by the Bank of England, the FCA, the PRA, HM Treasury, the Financial Ombudsman Service or the courts as not being conducted in accordance with applicable laws or regulations, or, in the case of the Financial Ombudsman Service, with what is fair and reasonable in the Ombudsman's opinion;
- the alleged misselling of financial products, resulting in disciplinary action or requirements to amend sales processes, withdraw products, or provide restitution to affected customers, all of which may require additional provisions;
- the Group holds accounts for entities that might be or are subject to interest from various regulators, including the UK's Serious Fraud Office, those in the U.S. and others. The Group is not aware of any current investigation into the Group as a result of any such enquiries, but cannot exclude the possibility of the Group's conduct being reviewed as part of any such investigations;
- the Group may be liable for damages to third parties harmed by the conduct of its business; and

- the Group is subject to rules and regulations related to the prevention of money laundering and terrorist financing.

In recent years there have been several industry-wide issues in which the then FSA intervened directly, such as the misselling of payment protection insurance (“PPI”). While the impact on the Group of PPI misselling claims and complaints has not, to date, been significant, the FCA may identify future industry-wide misselling or other issues that could affect the Group. This may lead from time to time to significant direct costs or liabilities (including in relation to misselling) and/or changes in the practices of the Group’s businesses which may have an adverse effect on the Group’s business, financial condition and/or results of operations.

The Financial Services and Markets Act 2000 (Designated Consumer Bodies) Order 2013 (the “Order”) was made on 16 December 2013 and came into force on 1 January 2014. The Order designates the National Association of Citizens Advice Bureaux, the Consumers’ Association, the General Consumer Council for Northern Ireland and the National Federation of Self Employed and Small Businesses as consumer bodies that may submit a super-complaint to the FCA on behalf of consumers of financial services where it considers that a feature, or a combination of features, of the market for financial services in the UK is seriously damaging the interests of these customers. Complaints about damage to the interests of individual consumers will continue to be dealt with by the FOS. If a super-complaint is made against the Group by a designated consumer body under this Order, any response published or action taken by the FCA could have a material adverse effect on the Group’s business, results of operations and prospects.

While the Group continues to invest significantly in both staff and operating systems to ensure the Group remains well placed to respond to changes in regulation, the anti-money laundering and anti-terrorist financing laws and regulations to which the Group is subject have become increasingly complex and detailed, require improved systems and sophisticated monitoring and compliance personnel and have become the subject of enhanced government supervision.

Failure to identify, interpret and comply with applicable laws and regulations, not treating customers fairly, failing adequately to safeguard client assets or providing advice and products which are not in the best interests of the Group’s customers, or which are otherwise not fit for purpose, whether in the past or in respect to future business, has the potential to damage the Group’s reputation, impact performance and may lead to the Group being fined or subjected to other penalties, including censure, the revocation of licences, litigation and/or customer redress.

### ***Technology, cyber-security and data processing risk***

A number of the Group’s businesses are highly reliant on their IT infrastructure in their daily operations. The proper functioning of the Group’s financial control, risk management, customer relationship management, general ledger, deposit, servicing and/or loan organisation systems, credit analysis, reporting, accounting, customer service and other information technology systems, as well as the communication networks between offices and main data processing centres, are critical to the Group’s ability to continue to compete. The market in which the Group operates necessitates an ability to respond to new technology. All of the Group’s businesses rely on the existence of secure and stable technology platforms. Failure to respond to new

technology, develop existing systems and ensure a robust infrastructure could have a material adverse effect on the Group's financial position and reputation.

The Group's businesses continually invest in their IT platforms to ensure that they are up to date and fit for purpose for the markets in which they operate. Additionally, business continuity plans are in place and the Group maintains alternative business locations to enable it to respond in a timely manner to a disaster event. Despite these measures, there can be no assurances that the Group's business, results of operations and future prospects will not be adversely affected by unforeseen events relating to technology risk in the future.

The secure transmission of confidential information is a critical element of the Group's operations. The UK Government and Bank of England have highlighted cyber threat as an issue across the financial sector. The Group's audit and risk functions have carried out cyber threat reviews which included testing its internal controls framework and reviewing planned investment on cyber risk to ensure it remains well placed to detect and resist threats. However, the Group cannot be certain that its existing security measures will prevent security breaches including break-ins, viruses or disruptions. Persons that circumvent the security measures could use the Group's or its clients' confidential information wrongfully which could expose the Group to a risk of loss, adverse regulatory consequences or litigation, each of which could have a material adverse effect on the business, results of operations and prospects of the Group.

Third party vendors provide key components of the Group's business infrastructure such as loan and deposit servicing systems, internet connections and network access. Any problems caused by these third parties, including as a result of their not providing the Group their services for any reason or their performing their services poorly, could adversely affect the Group's ability to deliver products and services to customers and otherwise to conduct business. Replacing these third party vendors could also entail significant delays and expense.

### ***Operational and fraud risk***

Operational risk is the risk of loss or other material adverse impact resulting from inadequate or failed internal processes, people or systems, or from external events, and is inherent in all of the Group's businesses.

The Group has implemented an operational risk management framework designed to ensure that operational risks are assessed, mitigated and reported in a consistent manner across the Group. The Group has adopted a formal approach to operational risk event reporting which involves identification of an event, assessment of its materiality, analysis of the cause, establishment of remedial action required and escalation to divisional or Group level risk committees for monitoring of implementation.

Despite the Group's risk management framework, there can be no assurance that the Group's financial performance will not be adversely affected should unforeseen events relating to operational risk arise in the future.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer or the Parent Guarantor would be unable to comply with its obligations as a company with securities admitted to the Official List and/or as a supervised firm regulated by the FCA.

In addition to technology risk the Group is subject to a number of risks which may affect business continuity. As noted in above, whilst business continuity plans are in place there can be no assurances that the Group's business, results of operations and future prospects will not be adversely affected by unforeseen events relating to technology risk in the future. Such risks include disruption to the Group's infrastructure caused by terrorist acts, other acts of war, damage to the Group's properties (such as by flood or fire), failing infrastructure systems, pandemic and people risk (as described further in "*People risk*" below).

Internal and external persons may target the Group's systems or information to perpetrate fraud. Operational processes are designed to implement preventative and detective controls that limit the likelihood of success and impact of exploitation of any frauds. Anti-fraud controls are continuously enhanced following a risk-based approach to limit the potential impact on the Group and its customers. However, occurrence of fraud could expose the Group to risk of loss, adverse regulatory consequences or litigation, each of which could have a material adverse affect on the business, results of operations and prospects of the Group.

***Failing infrastructure systems may negatively impact the economy generally and the business and results of operations of the Group.***

Events such as electricity supply failures, the shut-down of transport systems due to inclement weather (such as snow or extreme heat) or postal, train/tube or other strikes have a negative impact on the ability of most firms, including the Group, to do business. The regular occurrence of such events or timing of the occurrence of such events could have an adverse effect on the Group's operations.

***Terrorist acts, other acts of war, geopolitical or other such events***

Terrorist acts, other acts of war or hostility, geopolitical or other such events and responses to such acts or events may create economic and political uncertainties, which could have a material adverse impact on UK and global economic conditions generally, and more specifically on the business and/or results of the Group, in ways that cannot be predicted.

***Pandemic risk***

A pandemic has the potential to materially impact the Group's ability to maintain service at levels acceptable to its customers and may impact on financial performance. The Group has established plans to react to a potential pandemic and keeps these plans under constant review. However, there can be no assurance that such contingency plans would be effective, and the Group's businesses, results of operations and financial position could be adversely affected.

***People risk***

The calibre, quality and expertise of employees is critical to the success of the Group. The Group's financial performance could be adversely affected by the loss of the services of certain key teams or individuals. The ability of the Group to attract, motivate and retain key personnel is critical to the Group's prospects in the medium and long-term.

In order to manage these risks, the Group seeks to create an open and supportive working environment for its employees. Opportunities for training are offered to assist with the professional development of employees. Reward and incentive schemes are regularly reviewed to ensure that the Group is successful in attracting, motivating and retaining the calibre of employees necessary to meet its objectives, while aligning such schemes with risk, compliance and conduct risk objectives.

Despite these measures, there can be no assurances that the Group will continue to be able to attract and retain certain key teams and individuals. A failure to attract, or the loss of, such key personnel could adversely affect the Group's businesses, results of operations and financial position.

### ***Integration of acquisitions***

The Group makes acquisitions where it considers that such transactions will enhance its customer proposition and increase the value of the business in the long term. The Group has completed a number of acquisitions in the past and it may make further acquisitions of businesses in the future. The associated risks may include delays and challenges which could arise in the process of integrating the acquired businesses into the Group. There can be no assurance that the Group has anticipated all problems associated with the acquired businesses, or that all potential losses associated with such acquired businesses, or with any businesses which may in future be acquired by the Group, may come to light prior to the expiration of any warranty and indemnity protections. The Group's businesses, results of operations and financial position could be adversely affected should there be any failure in the Group's due diligence of the operating and financial condition of these acquired businesses, or their integration into the Group's operations.

### ***Interest rate risk***

Interest rate risk exists in interest-bearing assets (or liabilities), such as loans, due to the possibility of a change in the assets value, or income, resulting from a change in interest rates. The Group's policy is to match fixed and variable interest rate liabilities and assets, naturally where possible or by utilising interest rate swaps where necessary to secure the margin on its loans and advances to customers.

Despite these measures, there can no assurance that the Group's financial performance will not be adversely affected by unforeseen events relating to interest rate risk in the future.

Increases in interest rates may reduce the volume of loans the Group originates. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans. Increases in interest rates may reduce the value of the Group's financial assets and reduce gains or require the Group to record losses on sales of loans or securities.

If interest rates decrease, while this is likely to reduce the Group's funding costs, it is likely to adversely impact the income the Group receive arising from the Group's investment in securities as well as loans with similar maturities.

### ***Foreign exchange risk***

The Group recognises the extent to which its financial reporting (primarily balance sheet and profit and loss account) is affected by exchange rate movements. Translating foreign assets and liabilities from foreign to domestic currency may not affect the Group's cash flows, but may have an impact on the Group's reported earnings.

The risk primarily arises from lending in foreign currencies where there is a net mismatch in balance sheet assets and liabilities for non base currencies. In addition, there is a profit translation risk whereby earning reserves created in non-base currency may bring volatility to the profit and loss account due to exchange rate movements, if left unmanaged.

The Group's policy is to match currency assets and liabilities as closely as possible, by value and term, or with derivatives where necessary.

Failure to adequately manage fluctuations in the exchange rate between currencies may negatively affect the Group's earnings and value of the Group's assets and securities.

### ***Competition risk***

The market for UK financial services is highly competitive and such competition may be expected to intensify in response to competitor behaviour, consumer demand, technological changes, the impact of consolidation, regulatory actions and/or other factors. The Group's financial condition and/or results of operations may be materially and adversely affected by competition, including declining lending margins or competition for savings. If the Group is not successful in retaining and strengthening customer relationships or responding in a timely fashion to the changing needs of the Group's customers, it may lose market share, incur losses on some or all of its activities or fail to attract new, and retain existing, deposits, which could materially and adversely affect its financial position and/or results of operations.

### ***Pension Risk***

Pension risk is the potential for loss due to having to meet an actuarially assessed shortfall in the Group's pension schemes. Pension risk exposure is focussed upon the risk to the Group's financial position which arises from the need to meet its pension scheme funding obligations. In the event of a shortfall, the Group may be required, or may choose, to make additional payments to the Group's pension schemes which, depending on the amount, could have a material adverse effect on the Group's business, results of operations and prospects.

The UK Pensions Regulator has the power to issue a financial support direction to companies within a group in respect of the liability of employers participating in the UK defined benefit pension plan where that employer is a service company, or is otherwise "insufficiently resourced" (as defined for the purposes of the relevant legislation). Such a financial support direction could require the companies to guarantee or provide security for the pension liabilities of those employers, or could require additional amounts to be paid into the relevant pension schemes in respect of them.

## ***Tax Risk***

Tax risk is the risk of loss arising from changes in tax legislation or practice. Changes in the basis of taxation, particularly in the UK, could materially impact the Group's performance or performance of its obligations under notes issued.

## ***FATCA***

Under sections 1471 through 1474 of the United States Internal Revenue Code of 1986 ("**FATCA**"), the Issuer (and other non-U.S. financial institutions through which payments on the Notes are made) may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made in respect of the Notes. Final regulations implementing FATCA were promulgated in January 2013. The new reporting and withholding regimes are being phased in over time (with withholding beginning 1 July, 2014 for certain payments from sources within the U.S. and 1 January, 2019 for payments of gross proceeds on assets that could generate U.S. source dividends or interest and no earlier than 1 January, 2019 for "foreign passthru payments" (a term not yet defined)).

The United Kingdom and the United States have entered into an intergovernmental agreement to improve tax compliance and to implement FATCA (the "**IGA**"). The UK regulations implementing the IGA and accompanying guidance on their application were published in final form in April and September 2015 respectively.

The Issuer expects to be treated as a "reporting financial institution" pursuant to the IGA (as defined by the IGA) and, accordingly, does not anticipate being obliged to deduct any tax pursuant to FATCA on payments it makes. The Issuer and each relevant member of the Group subject to the IGA will, however, be subject to certain due diligence and reporting requirements under the IGA and therefore holders of the Notes may be required to provide information and tax documentation regarding their identities, as well as that of their direct or indirect owners, and this information may be reported to HMRC, and ultimately to the US Internal Revenue Service. There can be no assurance that the Issuer or any such member of the Group will be treated as satisfying the conditions of the IGA or that in the future it would not be required to deduct tax under FATCA from payments it makes on certain financial products.

If an amount in respect of FATCA were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the Conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

## ***The proposed financial transactions 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 Notes (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 current proposals 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 Notes 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 (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, 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.

#### ***UK Banks corporation tax surcharge***

The Finance Bill (No. 2), which was given Royal Assent on 18 November 2015, includes a UK corporation tax surcharge of 8% on banking sector profits from 1 January 2016. The enactment of such corporation tax surcharge will increase the amount of UK taxation the Group is liable to pay.

## **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

### ***Risks related to the structure of a particular issue of Notes***

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

#### *Notes subject to optional redemption by the Issuer*

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At such times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate which is as high as the interest rate on the Notes being redeemed, and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### *Fixed/Floating Rate Notes*

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes are notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate 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. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

#### *Notes issued at a substantial discount or premium*

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

The market value of securities issued at a substantial discount (such as Zero Coupon Notes) from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared with conventional interest-bearing securities with comparable maturities. Zero Coupon Notes will be offered, sold at a discount to nominal value and will not bear interest.

### ***Risks relating to the Banking Act 2009 and similar European legislation***

Under the Banking Act 2009 (the “**Banking Act**”), substantial powers have been granted to HM Treasury, the Bank of England the FCA and the PRA (the FCA and PRA, together with HM Treasury and the Bank of England, the “**Authorities**”) as part of the special resolution regime (the “**SRR**”). These powers enable the Authorities to deal with certain financial institutions (including UK deposit takers) that are failing or likely to fail in circumstances in which the Authorities consider a threat is posed to the public interest. Pursuant to amendments which entered into force in 2014, these powers can also be used in respect of a wider range of UK entities including banking group companies.

The SRR consists of five pre-insolvency stabilisation options, an insolvency procedure, and an administration procedure. The stabilisation options provide for: (i) private sector transfer of all or part of the business of the relevant entity; (ii) transfer of all or part of the business of the relevant entity to a “bridge bank” established by the Bank of England; (iii) transfer of the assets, rights and liabilities of the relevant entity to a separate asset management vehicle; (iv) a bail-in tool, designed to be used to absorb the losses of the relevant entity; and (v) temporary public ownership of the relevant entity or its UK-incorporated holding company.

On 6 May 2014, the Council of the European Union adopted a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the “**BRRD**”). The BRRD was published in the Official Journal on 12 June, 2014, and the stated aim of the BRRD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers’ exposure to losses.

The BRRD contains similar resolutions tools and powers to the Banking Act, including the bail-in tool and the power to transfer the impaired or problem assets of the relevant financial institution to an asset management vehicle.

The BRRD was transposed into UK law by way of amendments to the Banking Act, which came into force on 1 and 10 January 2015, together with certain new PRA and FCA rules and supervisory statements, which took effect from 19 January 2015 and will be phased in by January 2016.

The BRRD also contains a mandatory write down power which requires Member States to grant powers to resolution authorities to recapitalise institutions and/or their EEA parent holding companies that are in severe financial difficulty or at the point of non-viability by permanently writing down Tier 1 or Tier 2 capital instruments issued by such institutions and/ or their EEA parent holding companies, or converting those capital instruments into shares. The mandatory write down provision has been implemented in the UK through amendments to the Banking Act.

The Authorities have been granted wide powers under the Banking Act (as amended) including powers to modify contractual arrangements in certain circumstances and powers for HM Treasury to disapply or modify laws (with possible retroactive effect) to enable the options under the Banking Act to be used effectively. The following paragraphs set out some of the possible consequences of the exercise of those powers under the SRR.

*The SRR may be triggered prior to insolvency of the Parent Guarantor*

The purpose of the stabilisation options is to address the situation where all or part of a business of a financial institution has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns. Accordingly, stabilisation powers may only be exercised if (a) the PRA is satisfied that a financial institution (such as the Parent Guarantor) is failing, or is likely to fail, to satisfy the threshold conditions within the meaning of the Financial Services and Markets Act 2000 (“**FSMA**”); (b) following consultation with the other Authorities, the PRA determines that it is not reasonably likely that (ignoring the stabilising powers) action will be taken that will enable the financial institution to satisfy those threshold conditions; and (c) the relevant Authorities consider the exercise of the stabilisation options to be necessary, having regard to certain public interest considerations (such as the stability of the UK financial systems, public confidence in the UK banking system and the protection of depositors). It is therefore possible that one of the stabilisation options could be exercised prior to the point at which any insolvency proceedings with respect to the financial institution could be initiated.

*The terms of the Notes and the Guarantee may be modified without the consent of the Noteholders*

If the Parent Guarantor or the Issuer were made subject to the SRR, HM Treasury or the Bank of England may exercise extensive share transfer powers (applying to a wide range of securities) and property transfer powers (including powers for partial transfers of property, rights and liabilities) in respect of the Parent Guarantor or the Issuer. Exercise of these powers could involve taking various actions in relation to the Notes and/or the Guarantee without the consent of the Noteholders, including (among other things) modifying or disapplying the terms of the Notes or the Guarantee.

There can be no assurance that the taking of any such actions would not adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer or the Parent Guarantor to satisfy their obligations under the Notes or the Guarantee. In such circumstances, Noteholders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act, but there can be no assurance that Noteholders would thereby recover compensation promptly or equal to any loss actually incurred.

*A partial transfer of the Parent Guarantor's or the Issuer's business may result in a deterioration of their creditworthiness*

If the Parent Guarantor or the Issuer were made subject to the SRR and a partial transfer of the Parent Guarantor's business or the Issuer's business to another entity were effected, the quality of the assets and the quantum of the liabilities not transferred and remaining with the Parent Guarantor or the Issuer (as applicable) (which may include the Notes or the Guarantee) may

result in a deterioration in the creditworthiness of the Parent Guarantor or the Issuer and, as a result, increase the risk that the Parent Guarantor or the Issuer may eventually become subject to administration or insolvency proceedings. In such circumstances, Noteholders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act, but there can be no assurance that Noteholders would thereby recover compensation promptly or equal to any loss actually incurred.

As at the date of this Prospectus, the Authorities have not made an instrument or order under the Banking Act relating to the Group and there has been no indication that they will make any such instrument or order. However, there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such order or instrument if made in future.

*Exercise of the bail-in and/or write down powers could impose losses on an investment in the Notes*

As of 31 December 2014, the Banking Act was amended to introduce a 'bail-in power'. As explained above, a similar bail-in power is provided for under the BRRD, which requires Member States to provide resolution authorities with the power to write down the claims (including to zero) of unsecured creditors of a failing institution, to convert unsecured debt claims to equity (subject to certain parameters) and modify the terms of such unsecured debt claims. The UK Government decided to implement the BRRD bail-in power from 1 January 2015.

The bail-in option is intended to operate by allocating losses to the shareholders and unsecured creditors of a failing institution or a relevant group company in a manner intended to respect the hierarchy of claims in an insolvency, consistent with shareholders and creditors receiving no less favourable treatment than they would have done in insolvency. The bail-in option includes powers to (in whole or in part) cancel or write down liabilities of a financial institution or relevant group company, to reduce or defer liabilities of a financial institution or relevant group company, to specify that a contract under which a financial institution or relevant group company has a liability is to have effect as if a specified right had been exercised under it (such as a right to close out), to convert a liability from one form to another (such as the conversion of a debt instrument into equity) and modify the terms of a liability. Certain pre-conditions must be satisfied before the bail-in option may be used. In summary, these are that (i) the relevant regulator determines that the relevant financial institution is failing or is likely to fail, (ii) it is not reasonably likely that any other action can be taken to avoid the financial institution's failure and (iii) the relevant Authority determines that it is in the public interest to exercise the bail-in power.

The bail-in option under the Banking Act would potentially apply to any debt and derivative securities issued by a financial institution under resolution or a relevant group company, regardless of when they were issued. Accordingly, it could potentially apply to Notes issued by the Issuer and to the Guarantee granted by the Parent Guarantor. Consequently, Noteholders may lose all of their investment in the Notes and/or the benefit of the Guarantee.

As explained above, amendments have also been made to the Banking Act to provide for a mandatory write down power, in order to implement the relevant BRRD requirements. Before determining that any institution has reached a point of non-viability (and accordingly, before taking any form of resolution action or applying any resolution power), the Authorities have the

power (and are obliged when specified conditions are determined to have been met) to write down, or convert Tier 1 and Tier 2 capital instruments issued by that institution into CET1 capital instruments. These measures could be applied to certain of the Group's debt securities; the occurrence of circumstances in which write down powers would need to be exercised in respect of the Group would be likely to have a negative impact of the Group's business.

Notwithstanding the pre-conditions which must be satisfied before the bail-in and write down powers may be exercised, there remains uncertainty as to the specific considerations to which the relevant Authority would in practice have regard to when assessing whether to exercise bail-in powers with respect to the Issuer or the Parent Guarantor and their respective liabilities (including the Notes and the Guarantee). As the relevant Authority has considerable discretion in relation to how and when it may exercise such powers, holders of the Notes may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such powers and consequently its potential effect on the Issuer, the Parent Guarantor and the Notes.

Under the Banking Act, holders of securities have a right to be compensated under a bail-in compensation order which is based on the principle that such investors should receive no less favourable treatment than they would have received had the bank entered into insolvency immediately before the coming into effect of the bail-in power. The holders of the notes otherwise have limited rights to challenge any decision of the relevant Authority to exercise the bail-in power.

*The terms of the Guarantees may be modified without the consent of the Noteholders*

If the Parent Guarantor were made subject to the SRR, HM Treasury or the Bank of England may exercise their powers under the SRR including extensive share transfer powers (applying to a wide range of securities) and property transfer powers (including powers for partial transfers of property, rights and liabilities) in respect of the Parent Guarantor. Exercise of these powers could involve taking various actions in relation to the Guarantee without the consent of the Noteholders, including (among other things) modifying or disapplying the terms of the Guarantees.

There can be no assurance that the taking of any such actions would not adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the Parent Guarantor to satisfy its obligations under the Guarantees. In such circumstances, Noteholders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act, but there can be no assurance that Noteholders would thereby recover compensation promptly or equal to any loss actually incurred.

### ***Risks related to Notes generally***

Set out below is a description of material risks relating to the Notes generally:

#### *Modification, waivers and substitution*

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.

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

The conditions of the Notes also provide that the Trustee may, in any of the circumstances described in Condition 15, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to: (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes; or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or; (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer.

#### *Change of law*

The value of the Notes could be adversely affected by a change in English law or administrative practice.

The conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

#### *Notes where denominations involve integral multiples*

Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued.

In relation to any issue of Notes in bearer form which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of the minimum Specified Denomination. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time, may not receive a definitive Note in respect of such holding (should definitive Notes in bearer form be

printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, Noteholders should be aware that definitive Notes which have a denomination that is not the minimum denomination may be illiquid and difficult to trade.

#### *Eligibility of the Notes for Eurosystem Monetary Policy*

Notes issued in new global note (“**NGN**”) form or to be held under the New Safekeeping Structure (the “**NSS**”), as stated in the applicable Final Terms, are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Notes are, upon issue, deposited with one of the international central securities depositories (“**ICSDs**”) as common safekeeper 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 (“**Eurosystem Eligible Collateral**”) either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and other obligations (including the provision of further information) as specified by the European Central Bank from time to time. The Issuer does not give any representation, warranty, confirmation or guarantee to any investor in the Notes that the Notes will, either upon issue, or at any or all times during their life, satisfy all or any requirements for Eurosystem eligibility and be recognised as Eurosystem Eligible Collateral. Any potential investor in the Notes should make their own conclusions and seek their own advice with respect to whether or not the Notes constitute Eurosystem Eligible Collateral.

#### ***Risks related to the market generally***

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

##### *Secondary market*

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable with similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies, or which have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

### *Exchange rate risk and exchange controls*

If an investor holds Notes which are not denominated in the investor's home currency, the investor will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The Issuer will pay principal and interest on the Notes, and the Parent Guarantor will make any payments under the Guarantee, in the Specified Currency. 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency 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 the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

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

### *Interest rate risk*

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

### *Credit ratings risk*

*Credit ratings assigned to the Issuer, the Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes.*

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

## FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached.

### **Bearer Notes**

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary bearer global note (a “**Temporary Bearer Global Note**”) or a permanent bearer global note (a “**Permanent Bearer Global Note**”) and together with a Temporary Bearer Global Note, a “**Bearer Global Note**”) as indicated in the applicable Final Terms, which, in either case, will

- (i) if the Bearer Global Notes are issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”); and
- (ii) if the Bearer Global Notes are not issued in NGN form, be delivered on or prior to the original issue date of the relevant Tranche to a common depositary (the “**Common Depositary**”) for Euroclear and Clearstream, Luxembourg.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note (if the Temporary Bearer Global Note is not issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer 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 Principal Paying Agent.

On and after the date (the “**Exchange Date**”) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series 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 notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note (if the Permanent Bearer Global Note is not issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer 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 either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 10 (*Events of Default*)) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative or successor clearing system satisfactory to the Trustee is available or, except as otherwise specified in the applicable Final Terms (iii) the Issuer or the Parent Guarantor has suffered or will suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two Authorised Signatories (as defined in the Trust Deed) of the Issuer or the Parent Guarantor is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or the Common Depository or Common Safekeeper on their behalf (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The exchange of a Permanent Bearer Global Note for definitive Bearer Notes upon notice from Euroclear and/or Clearstream (acting on the instructions of any holder) or at any time at the request of the Issuer should not be expressed to be applicable in the applicable Final Terms if the Bearer Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Bearer Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for definitive Bearer Notes.

If, in respect of any Tranche of Notes, the applicable Final Terms specified that the Global Note may be exchanged for definitive Notes in circumstances other than upon the occurrence of an Exchange Event, such Notes will be issued with only one Specified Denomination or all Specified Denominations of such Notes will be an integral multiple of the lowest Specified Denomination, as specified in the applicable Final Terms.

The following legend will appear on all Bearer Notes which have an original maturity of more than one year and on all interest coupons relating to such Notes:

“ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) 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 United States 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 such Notes or interest coupons.

So long as the Notes are represented by a temporary Global Note or permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum authorised denomination of €100,000 and higher integral multiples of €1,000, notwithstanding that no definitive notes will be issued with a denomination above €199,000 (or if the Notes are denominated in a currency other than euro, the equivalent amounts in such currency).

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

### **Registered Notes**

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a “**Registered Global Note**”). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 (*Transfers of Registered Notes*) and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Registered Global Note will bear a legend regarding such restrictions on transfer.

Registered Global Notes that are to be held under the NSS, as stated in the applicable Final Terms, will be delivered on or prior to the original issue date of the relevant tranche to the Common Safekeeper for Euroclear and Clearstream, Luxembourg.

Registered Global Notes that are not to be held under the NSS will be deposited with the Common Depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms.

Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of a Registered Global Note will, in the absence of provision to the contrary, be made to the person shown on the Register

(as defined in Condition 6(d)) as the registered holder of the relevant Registered Global Note. None of the Issuer, the Parent Guarantor, the Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in a Registered Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of a Registered Note in definitive form will, in the absence of provision to the contrary, be made to the person(s) shown on the Register on the relevant Record Date (as defined in Condition 6(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

## **General**

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN number which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a global Note held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Parent Guarantor, the Trustee and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Parent Guarantor, the Trustee and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the

expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

Any reference herein 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 specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Parent Guarantor, the Principal Paying Agent and the Trustee, and, as applicable, the Registrar.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Parent Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and the failure shall be continuing.

The Issuer has entered into an agreement with Euroclear and Clearstream, Luxembourg (together, “**ICSDs**”) in respect of any Notes issued in NGN form or held under the NSS that the Issuer may request be made eligible for settlement with the ICSDs (the “**Issuer-ICSDs Agreement**”). The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any such Notes, *inter alia*, maintain records of, or reflecting (in the case of notes held under the NSS), their respective portion of the issue outstanding amount of such Notes and will, upon the Issuer’s request, produce a statement for the Issuer’s use showing the total nominal amount of its customer holdings of such Notes as of a specified date.

The Issuer will procure that, at the time of issue of each Tranche of Notes, the ICSDs are notified whether or not such Notes are intended to be held in a manner which would allow Eurosystem eligibility. Such notification will confirm whether the Notes are to be issued in NGN form. The fact that Notes are intended to be held in a manner which would allow Eurosystem eligibility simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper 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 European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

## FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[Date]

**Close Brothers Finance plc**  
**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**  
**Guaranteed by Close Brothers Limited**  
**under the £1,000,000,000**  
**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 (the “**Conditions**”) set forth in the Prospectus dated 18 December 2015 which [, as modified by a supplement to the Prospectus dated [date of supplement],] constitutes a base prospectus (the “**Prospectus**”) for the purposes of Article 5.4 of Directive 2003/71/EC as amended (including by Directive 2010/73/EU and including any relevant implementing measure to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (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 the Prospectus. Full information on the Issuer, the Parent Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus has been published on the website of the London Stock Exchange (at [www.londonstockexchange.com/news/market-news/rns/rns.htm](http://www.londonstockexchange.com/news/market-news/rns/rns.htm)).]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated [original date] [and the supplement to it dated [date]] which are incorporated by reference in the Prospectus dated 18 December 2015 and are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC as amended (including by Directive 2010/73/EU and including any relevant implementing measure in a relevant Member State of the European Economic Area) (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated [current date] which [, as modified by a supplement to the Prospectus dated [date of supplement],] constitutes a base prospectus for the purposes of the Prospectus Directive (the “**Prospectus**”), including the Conditions incorporated by reference in the Prospectus. Full information on the Issuer, the Parent Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus has been published on the website of the London Stock Exchange (at [www.londonstockexchange.com/news/market-news/rns/rns.htm](http://www.londonstockexchange.com/news/market-news/rns/rns.htm)).]

- |    |                       |                            |
|----|-----------------------|----------------------------|
| 1. | (a) Issuer:           | Close Brothers Finance plc |
|    | (b) Parent Guarantor: | Close Brothers Limited     |
| 2. | (a) Series Number:    | [ ]                        |

- (b) Tranche Number: [ ]
- (c) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [ ] below, which is expected to occur on or about [ ]/[Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:  
 (a) Series: [ ]  
 (b) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ] (if applicable)]
6. (a) 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 [ ].]  
 (b) Calculation Amount: [ ]
7. (a) Issue Date: [ ]  
 (b) Interest Commencement Date: [Issue Date/Not Applicable]
8. Maturity Date: [ ]/[Interest Payment Date falling in or nearest to [ ]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
 [[ ] month [LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate]  
 [Zero Coupon]  
 (see paragraph [14]/[15]/[16] below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [97][98][99][100][101][102][103] per cent. of their nominal amount
11. Change of Interest Basis or Redemption/Payment Basis: [ ]/[Not Applicable]
12. Put/Call Options: [Not Applicable]  
 [Investor Put]  
 [Issuer Call]  
 [(see paragraph [18]/[19]/[20] below)]
13. [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [I] [and [I], respectively]]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Note Provisions:** [Applicable/Not Applicable]
- (a) Rate(s) of Interest: [ ] per cent. per annum [payable in arrear on each Interest Payment Date]
- (b) Interest Payment Date(s): [ ] in each year up to and including the

	Maturity Date
(c) Fixed Coupon Amount(s):	[ ] per Calculation Amount
(d) Broken Amount(s): <i>(applicable to Notes in Definitive form)</i>	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on][ ]][Not Applicable]
(e) Day Count Fraction:	[Actual/Actual (ICMA)] [30/360]
(f) Determination Date(s):	[Not Applicable] [[ ] in each year]
<b>15. Floating Rate Note Provisions:</b>	[Applicable/Not Applicable]
(a) Specified Period(s)/Specified Interest Payment Dates:	[ ]
(b) First Interest Payment Date:	[ ]
(c) Business Day Convention:	[Floating Rate Convention] [Following Business Day Convention] [Modified Following Business Day Convention] [Preceding Business Day Convention]
(d) Additional Business Centre(s):	[ ]
(e) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination] [ISDA Determination]
(f) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
(g) Screen Rate Determination:	[Applicable/Not Applicable]
(i) Reference Rate:	Reference Rate: [ ] month [LIBOR/EURIBOR]
(ii) Interest Determination Date(s):	[ ]
(iii) Relevant Screen Page:	[ ]
(h) ISDA Determination:	[Applicable/Not Applicable]
(i) Floating Rate Option:	[ ]
(ii) Designated Maturity:	[ ]
(iii) Reset Date:	[ ]
(i) Margin(s):	[+/-] [ ] per cent. per annum [Applicable/Not Applicable]
(j) Minimum Rate of Interest:	[ ] per cent. per annum [Applicable/Not Applicable]
(k) Maximum Rate of Interest:	[ ] per cent. per annum [Applicable/Not Applicable]
(l) Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond basis]

- [30E/360(ISDA)]
- 16. Zero Coupon Note Provisions:** [Applicable/Not Applicable]
- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]

## PROVISIONS RELATING TO REDEMPTION

17. Notice periods for Condition 7(b) (Redemption and Purchase – Redemption for taxation reasons) Minimum period: [ ] days  
Maximum period: [ ] days
- 18. Issuer Call:** [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount]  
[Make Whole Redemption Price]
- (c) Make Whole Redemption Price: [[ ] per Calculation Amount]  
[Spens Amount]  
[Make Whole Redemption Amount]  
[Not Applicable]
- (d) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (e) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
- 19. Investor Put:** [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [ ] per Calculation Amount
- (c) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
20. Final Redemption Amount: [ ] per Calculation Amount
21. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. (a) Form: [Bearer Notes]  
[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is

exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date]

[Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]

[Registered Notes: Registered Global Note ([●] nominal amount)]

- (b) New Global Note/NSS: [Yes][No]
23. Additional Financial Centre(s) : [Not Applicable]
24. Talons for future Coupons to be attached to Definitive Notes in bearer form (and dates on which such Talons mature): [Yes /No.]

**RESPONSIBILITY**

[[ ] has been extracted from [ ]. [Each of the] [The] Issuer [and the Parent Guarantor] 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 [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.][Not Applicable]

Signed on behalf of the Issuer:

Signed on behalf of the Parent Guarantor:

By: .....  
*Duly authorised*

By: .....  
*Duly authorised*

## PART B - OTHER INFORMATION

### 1. LISTING

- (i) Listing Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Main Market of the London Stock Exchange and listing on the Official List of the UK Listing Authority 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 Main Market of the London Stock Exchange and listing on the Official List of the UK Listing Authority with effect from [ ].]
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

- Ratings: [The Notes to be issued [have been/are expected to be] assigned the following ratings:  
[ ] by Standard & Poor's Credit Market Services Europe Limited  
[ ] by Fitch Ratings Ltd  
[ ] by Moody's Investors Service Limited]  
[Not Applicable]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Parent Guarantor and their affiliates in the ordinary course of business.]

### 4. YIELD

- Indication of yield: [ ]

### 5. OPERATIONAL INFORMATION

- (i) ISIN: [ ]
- (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]
- (iv) Delivery: Delivery [against/free of] payment

- |       |  |   |
|-------|--|---|
| (v)   | Names and addresses of additional Paying Agent(s) (if any):              | [ ]   |
| (vi)  | U.S. Selling Restrictions:   | Reg. S Category 2<br>[TEFRA D]<br>[TEFRA C]<br>[TEFRA not applicable]   |
| (vii) | Intended to be held in a manner which would allow Eurosystem eligibility | <p>[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,][<i>include this text for registered notes</i>] and does not necessarily mean that the Notes will be recognized 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.]</p> <p>[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,][<i>include this text for registered notes</i>]. 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.]]</p> |

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The provisions of Part A of the applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" and "Form of Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Close Brothers Finance plc (the "**Issuer**") constituted by a Trust Deed (such Trust Deed, as most recently amended and restated on 26 July, 2013 and as amended and/or supplemented and/or restated from time to time, the "**Trust Deed**") made between the Issuer, Close Brothers Limited as Parent Guarantor (the "**Parent Guarantor**") 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 (a "**Global Note**"), units of each Specified Denomination in the Specified Currency;
- (ii) any Global Note;
- (iii) any definitive Notes in bearer form ("**Bearer Notes**") issued in exchange for a Global Note in bearer form; and
- (iv) any definitive Notes in registered form ("**Registered Notes**") (whether or not issued in exchange for a Global Note in registered form).

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement, as most recently amended and restated on 26 July, 2013 and as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") and made between the Issuer, the Parent Guarantor, the Trustee and Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the "**Principal Paying Agent**", which expression shall include any successor agent) and the other paying agent named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), Citigroup Global Markets Deutschland AG as registrar (in such capacity, the "**Registrar**", which expression shall include any successor registrar) and as transfer agent (in such capacity, the "**Transfer Agent**", which expression shall include any additional or successor transfer agents).

Interest bearing definitive Bearer Notes have interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be

deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

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

The Trustee acts for the benefit of the holders for the time being of the Notes (the “**Noteholders**”, which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the “**Couponholders**”, which expression shall, unless the context otherwise requires, include the holders of the Talons), 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 admission to trading) 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 and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the date of this Prospectus at 13th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the specified office of each of the Principal Paying Agent, the Registrar and any other Paying Agents and Transfer Agents (such Principal Paying Agent, the Registrar, any other Paying Agents and Transfer Agents being together referred to as the “**Agents**”). Copies of the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. The Noteholders and 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 which are applicable to them and are deemed to have notice of all the provisions of the Agency Agreement. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

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 Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of 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 in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the currency (the “**Specified Currency**”) and the Denominations (the “**Specified Denomination(s)**”) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa.

This Note may be 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 shown in the applicable Final Terms.

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 registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Parent Guarantor, any Agent and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Parent Guarantor, the Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Parent Guarantor, any Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

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 and Clearstream, Luxembourg, as the case may be.

References 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 specified in Part B of the applicable Final Terms.

## 2. Transfers of Registered Notes

### (a) *Transfers of interests in Registered Global Notes*

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

### (b) *Transfers of Registered Notes in definitive form*

Subject as provided in paragraph (e) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the 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 (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 3 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three 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 uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form 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.

(c) ***Registration of transfer upon partial redemption***

In the event of a partial redemption of Notes under Condition 7 (*Redemption and Purchase*), the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) ***Costs of registration***

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) ***Exchanges and transfers of Registered Notes generally***

Holders of Registered Notes in definitive form may exchange such Notes for interests in a Registered Global Note of the same series at any time.

**3. Status of the Notes and the Guarantee**

(a) ***Status of the Notes***

The Notes and the relative Coupons are direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

(b) ***Status of the Guarantee***

The payment of the principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Parent Guarantor in the Trust Deed (the "**Guarantee**"). The obligations of the Parent Guarantor under the Guarantee constitute direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Parent Guarantor and (subject as provided above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Parent Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

**4. Negative Pledge**

So long as any of the Notes remains outstanding (as defined in the Trust Deed) the Issuer and the Parent Guarantor will not, and the Parent Guarantor will ensure, so far as it is able to do so by the proper exercise of voting and other rights or powers of control exercisable by it in relation to its Subsidiaries, that none of its Principal Subsidiaries will, create or have outstanding any mortgage, charge, pledge, lien or other encumbrance (other than any arising by operation of law) (each a **"Security Interest"**) upon the whole or any part of its or their respective undertakings, assets or revenues present or future, to secure any Relevant Indebtedness (as defined below) or to secure any guarantee or indemnity in respect thereof, without simultaneously with, or prior to, the creation of such Security Interest, securing the Notes equally and rateably therewith to the satisfaction of the Trustee, or providing such other Security Interest therefor or making such other arrangement which the Trustee in its absolute discretion shall deem not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders, save that the Issuer, the Parent Guarantor or any Principal Subsidiary may create or have outstanding (without the obligation so to secure the Notes) a Permitted Encumbrance.

For the purposes of these Terms and Conditions:

- (a) **"Group"** means the Parent Guarantor and its Subsidiaries;
- (b) **"Indebtedness for Borrowed Money"** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities, or any borrowed money;
- (c) **"Non-recourse Indebtedness"** means, at any time, any Indebtedness for Borrowed Money (as defined above) to finance the ownership, acquisition, development and/or operation of an asset or assets in respect of which the person or persons to whom any such Indebtedness for Borrowed Money is or may be owed by the relevant borrower has or have no recourse whatsoever to the Issuer, the Parent Guarantor or any Subsidiary of the Parent Guarantor for the repayment thereof other than:
  - (i) recourse to such borrower for amounts limited to the cash flow or net cash flow from such asset; and/or
  - (ii) recourse to such borrower for the purpose only of enabling amounts to be claimed in respect of such Indebtedness for Borrowed Money in an enforcement of any Security Interest given by such borrower over such asset or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such Indebtedness for Borrowed Money, provided that (A) the extent of such recourse to such borrower (or any such shareholder or the like) is limited solely to the amount of any recoveries made on such enforcement, and (B) such person or persons are not entitled, by virtue of any right or claim arising out of or in connection with such Indebtedness for Borrowed Money, to

commence proceedings for the winding-up or dissolution of the borrower (or any such shareholder or the like); and/or

- (iii) recourse to such borrower generally, or directly or indirectly to the Issuer, the Parent Guarantor or any Subsidiary of the Parent Guarantor, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof) by the person against whom such recourse is available;

(d) **“Permitted Encumbrance”** means:

- (i) any Security Interest existing on the date of issue of the Notes;
- (ii) any Security Interest which secures any Relevant Indebtedness which exists on any asset or undertaking of the Issuer, the Parent Guarantor or any other Principal Subsidiary of the Parent Guarantor which asset or undertaking or which Principal Subsidiary is acquired after the date of issue of the Notes, *provided* that:

- (A) such Security Interest existed at the date of such acquisition;
- (B) such Security Interest was not created in contemplation of such acquisition; and
- (C) the amount thereby secured has not been increased in contemplation of, or since the date of, such acquisition,

and any Security Interest over the same undertaking or asset which is given for the purpose of, and to the extent of, the refinancing of any such Relevant Indebtedness;

- (iii) any Security Interest as shall have been previously approved in writing by the Trustee (which may only be so approved if the Trustee is of the opinion that to do so will not be materially prejudicial to the interests of the Noteholders); and
- (iv) any other Security Interest, provided that the amount of Relevant Indebtedness secured thereby together with the aggregate amount of all other Relevant Indebtedness secured by Security Interests permitted by this paragraph (iv), is less than £20,000,000 (or its equivalent in any other currency or currencies);

(e) **“Principal Subsidiary”** means at any time a Subsidiary of the Parent Guarantor:

- (i) whose profits before tax or whose gross assets (in each case, as shown in its most recent annual audited accounts and consolidated in the case of a Subsidiary which ordinarily produces consolidated accounts) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Group relate, are equal to) not less than 10 per cent. of the consolidated profits before tax, or, as the case may be, consolidated gross assets, of the Group taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Group; provided that in the case of a Subsidiary of the Parent Guarantor acquired after the end of the financial period to which the then latest audited consolidated accounts of the Parent Guarantor and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Parent Guarantor and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Parent Guarantor;
- (ii) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Parent Guarantor which immediately prior to such transfer is a Principal Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (d)(ii) on the date on which the consolidated accounts of the Group for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (d)(i) above; or
- (iii) to which is transferred an undertaking or assets which, when taken together with the undertaking or assets of the transferee Subsidiary, (i) generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Group relate, generate) profits before tax equal to not less than 10 per cent. of the consolidated profits before tax of the Parent Guarantor, or (ii) represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated gross assets of the Group taken as a whole, all as calculated as referred to in subparagraph (d)(i) above, provided that the transferor Subsidiary (if a Principal Subsidiary) shall upon such transfer forthwith cease to be a

Principal Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate profits before tax equal to) not less than 10 per cent. of the consolidated profits before tax of the Group taken as a whole, or its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of the Group taken as a whole, all as calculated as referred to in subparagraph (d)(i) above, and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (d)(iii) on the date on which the consolidated accounts of the Group for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (d)(i) above or, prior to or after such date, by virtue of any other applicable provision of this definition,

and a report by two Authorised Signatories of the Parent Guarantor (addressed to the Trustee) that in their opinion a Subsidiary is or is not or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied on by the Trustee without liability to any person and without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error be conclusive and binding on all parties;

- (f) **“Relevant Indebtedness”** means any Indebtedness for Borrowed Money which is in the form of, or represented or evidenced by, bonds, notes, debentures, debenture stock, loan stock or other securities which for the time being are, or are intended to be, or are capable of being, quoted, listed, dealt in or traded on any stock exchange or other recognised securities market, other than (i) indebtedness which has a stated maturity not exceeding one year or (ii) Non-recourse Indebtedness; and
- (g) **“Subsidiary”** means any entity which is for the time being a subsidiary within the meaning of Section 1159 of the Companies Act 2006.

## 5. Interest

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

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. If the applicable Final Terms state that a Broken

Amount is to apply to an Interest Payment Date, the amount of interest payable on such Interest Payment Date shall be the relevant Broken Amount specified in the applicable Final Terms.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, 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. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount of that multiple without any further rounding.

In this Condition 5(a), “**Day Count Fraction**” means:

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of

Determination Dates that would occur in one calendar year; and

- (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

“**Determination Period**” means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

“**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

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

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

(i) *Interest Payment Dates*

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

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, 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. In these Terms and Conditions, “**Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, “**Business Day**” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business

(including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and

- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “**TARGET System**”) is open.

(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 subparagraph (A), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA 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 the day specified in the applicable Final Terms.

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

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(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, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying 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 Principal Paying 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 offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

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

If the applicable Final Terms specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of

such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

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

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

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

The Principal Paying Agent will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, 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. Where the Specified Denomination of a Floating Rate Note in definitive form comprises a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount of that multiple without any further rounding.

In this Condition 5(b), “**Day Count Fraction**” means:

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” 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);

- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) 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 Interest Period falls;

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 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 Interest 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;

- (vi) 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 Interest Period falls:

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest 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 Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if “30E/360 (ISDA)” 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 Interest Period falls:

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest 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 Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and in which case D<sub>2</sub> will be 30.

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

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified promptly to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (and in any event no later than the first day of the relevant Interest Period) and notice thereof to be published in accordance with Condition 14 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14 (*Notices*). For the purposes of this paragraph, the expression “**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vi) *Determination or Calculation by Trustee*

If for any reason at any relevant time the Principal Paying Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (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 Rate of Interest 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 Principal Paying Agent.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Principal Paying Agent or, if applicable, the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Parent Guarantor, the Principal Paying Agent, the other Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Parent Guarantor, the Noteholders or the Couponholders shall attach to the Principal Paying Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(viii) *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 payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

## **6. Payments**

(a) ***Method of payment***

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, 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 Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to: (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, but without prejudice to the provisions of Condition 8 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement

described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto, and neither the Issuer nor the Parent Guarantor (as the case may be) shall be required to pay any additional amounts under Condition 8 (*Taxation*) on account of any such deduction or withholding described in this limb (ii).

(b) ***Presentation of definitive Bearer Notes and Coupons***

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

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 surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity 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. 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 Note shall cease to be a Long Maturity Note on the Interest Payment 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 an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) ***Payments in respect of Bearer Global Notes***

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form 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 Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of the Principal Paying Agent. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made:

- (i) in respect of any bearer Global Note which is not in NGN form, against presentation or surrender of such Bearer Global Note, on such Bearer Global Note by the Principal Paying Agent to which it is presented, and such record shall be prima facie evidence that the payment in question has been made; or
- (ii) in respect of any bearer Global Note in NGN form, in the records of Euroclear and Clearstream, Luxembourg, as applicable, and such records shall be conclusive evidence that the payment in question has been made.

(d) ***Payments in respect of Registered Notes***

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg, are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars,

shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg, are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

If the registered Global Note is held under the NSS, the Issuer shall procure that details of each payment made in accordance with this Condition shall be entered *pro rata* in the records of the relevant clearing system and in the case of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the registered Global Note will be reduced accordingly.

None of the Issuer, the Parent Guarantor or the Agents 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 registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) ***General provisions applicable to payments***

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Parent Guarantor will be discharged by payment to, or to the order of, the holder

of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Parent Guarantor to, or to the order of, the holder of such Global Note.

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

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Parent Guarantor, adverse tax consequences for the Issuer or the Parent Guarantor.

(f) ***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 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, "**Payment Day**" means any day which (subject to Condition 9 (*Prescription*)) 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 (a) in the case of Notes in definitive form only, the relevant place of presentation and (b) each Additional Financial Centre specified in the applicable Final Terms; and
- (ii) (A) (in the case of a payment in a 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 such currency; or

- (B) (in the case of a payment in euro) a day on which the TARGET System is open.

(g) ***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 8 (*Taxation*);
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(e)); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the 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 8 (*Taxation*).

**7. Redemption and Purchase**

**Neither the Issuer nor the Parent Guarantor shall be at liberty to redeem or purchase the Notes, except in accordance with the following provisions of this Condition.**

(a) ***Redemption at maturity***

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

(b) ***Redemption for tax reasons***

Subject to Condition 7(e), the Notes may be redeemed at the option of the 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), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Trustee, the Principal

Paying Agent and, in accordance with Condition 14 (*Notices*), the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

- (i) it has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) or the Parent Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (ii) such obligation or requirement cannot be avoided by the Issuer or, as the case may be, the Parent Guarantor 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 Issuer or, as the case may be, the Parent Guarantor would be obliged to pay such additional amounts or give effect to such treatment, as the case may be, were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (i) a certificate signed by two Authorised Signatories of the Issuer or, as the case may be, two Authorised Signatories of the Parent Guarantor 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 (ii) an opinion of independent legal advisers or accountants of recognised standing to the effect that the Issuer or, as the case may be, the Parent Guarantor has or will become obliged to pay such additional amounts as a result of such 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.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) ***Redemption at the option of the Issuer (Issuer Call)***

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period

of notice specified in applicable Final Terms to the Trustee, the Principal Paying Agent (and, in the case of a redemption of Registered Notes, the Registrar) and, in accordance with Condition 14 (*Notices*) the Noteholders (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only (as specified in the applicable Final Terms) of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Upon expiry of such notice the Issuer shall be bound to redeem the Notes accordingly. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount nor 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 the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount at their discretion 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 Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 (*Notices*) not less than 15 days prior to the date fixed for redemption. 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 paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*) at least five days prior to the Selection Date.

In this Condition 7(c), the “**Optional Redemption Amount(s)**” shall be, as specified in the applicable Final Terms, (i) the Make Whole Redemption Price or (ii) the amount per Calculation Amount specified in the applicable Final Terms.

If Spens Amount is specified in the Final Terms, the Make Whole Redemption Price shall be an amount equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed and (ii) the principal amount outstanding of the Notes to be redeemed multiplied by the price, as reported to the Issuer and the Trustee by the Determination Agent, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time specified in the applicable Final Terms on the Reference Date of the Reference Bond, plus the Redemption Margin, all as determined by the Determination Agent.

If Make Whole Redemption Amount is specified in the Final Terms, the Make Whole Redemption Price shall be an amount calculated by the Determination Agent as being equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed and (ii) the sum of the present values of the principal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Notes (exclusive of interest accrued to the date of redemption) and such present values shall be calculated by discounting such amounts to the date of redemption on an annual basis (assuming a 360-day year consisting of twelve 30-day months or, in the case of

an incomplete month, the number of days elapsed) at the Reference Bond Rate, plus the Redemption Margin.

In this Condition 7(c):

**“DA Selected Bond”** means a government security or securities selected by the Determination Agent as having an actual or interpolated maturity comparable with the remaining term to the Maturity Date, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the remaining term to the Maturity Date.

**“Determination Agent”** means an investment bank or financial institution of international standing selected by the Issuer after consultation with the Trustee.

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

**“Redemption Margin”** shall be as set out in the applicable Final Terms.

**“Reference Bond”** shall be as set out in the Final Terms or the DA Selected Bond.

**“Reference Bond Price”** means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such Redemption Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

**“Reference Bond Rate”** means, with respect to any Optional Redemption Date as specified in the applicable Final Terms, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such Optional Redemption Date.

**“Reference Date”** will be set out in the relevant notice of redemption.

**“Reference Government Bond Dealer”** means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues.

**“Reference Government Bond Dealer Quotations”** means, with respect to each Reference Government Bond Dealer and any Redemption Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the Final Terms on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer.

**“Remaining Term Interest”** means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term to the Maturity Date determined on the basis of the rate of interest applicable to such Note from and including the Redemption Date.

(d) **Redemption at the option of the Noteholders (Investor Put)**

If Investor Put is specified as being applicable in the applicable Final Terms, then, if and to the extent specified in the applicable Final Terms, upon the holder of this Note giving to the Issuer, in accordance with Condition 14 (*Notices*), not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms (which notice shall be irrevocable), the 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 relevant Optional Redemption Amount as specified in the applicable Final Terms, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date.

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note on any Business Day (as defined in Condition 5 (*Interest*)) falling within the notice period at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes), accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **“Put Notice”**) and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b) (*Transfers of Registered Notes in definitive form*). If this Note is represented by a Global Note and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is

represented by (i) a Bearer Global Note which has not been issued in NGN form as specified in the applicable Final Terms, at the same time present or procure the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly or (ii) a Global Note which has been issued in NGN form or is held under the NSS as specified in the applicable Final Terms, instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 10 (*Events of Default*) in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph.

(e) **Early Redemption Amounts**

For the purpose of paragraph (b) above and Condition 10 (*Events of Default*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note) 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 Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the “**Amortised Face Amount**”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

“RP” means the Reference Price; and

“AY” means the Accrual Yield expressed as a decimal; and

“y” is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual

number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

(f) **Purchases**

The Issuer, the Parent Guarantor or any other Subsidiary of the Parent Guarantor, any holding company of the Parent Guarantor or any subsidiary of any such holding company, may (notwithstanding Conditions 7(a), (b), (c) and (d) above) at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) in any manner or at any price.

(g) **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold. Notes purchased by the Issuer, the Parent Guarantor or any other Subsidiary of the Parent Guarantor, any holding company of the Parent Guarantor or any subsidiary of any such holding company may be held or resold, or surrendered for cancellation.

(h) **Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(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 in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14 (*Notices*).

## 8. Taxation

All payments of principal and interest in respect of the Notes and Coupons by the Issuer or the Parent Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Parent Guarantor 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:

- (a) presented for payment by or by a third party on behalf of a holder who (i) could avoid such withholding or deduction if, after having been requested to make such a declaration or claim, such holder fails to do so by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority; or (ii) is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (b) presented (or in respect of which the Certificate representing it is presented) for payment 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 assuming that day to have been a Payment Day (as defined in Condition 6(f)) in the place of surrender.

In these Terms and Conditions:

- (i) “**Tax Jurisdiction**” means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) 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 Principal Paying Agent, the Trustee or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14 (*Notices*).

## 9. Prescription

The Notes (whether in bearer or registered form) and Coupons will become void unless claims in respect of principal and/or interest are made 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 8 (*Taxation*)) 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 6(b) or any Talon which would be void pursuant to Condition 6(b).

## 10. Events of Default

### (a) *Events of Default*

The Trustee at its discretion may, and if so requested in writing by the holders of at least one quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured to its satisfaction), give notice to the Issuer and the Parent Guarantor that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (each, an “**Event of Default**”):

- (i) if default is made for a period of 14 days or more in the payment of any interest or for a period of 7 days or more in the payment of principal due in respect of the Notes or any of them; or
- (ii) if the Issuer or the Parent Guarantor fails to perform or observe any obligation, condition or provision binding upon it under the Notes or the Trust Deed (other than any obligation for the payment of any principal or interest in respect of the Notes) and (except in any case where the Trustee considers the failure to be incapable of remedy or cure when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer or the Parent Guarantor (as the case may be) of notice requiring the same to be remedied; or
- (iii) if (A) any Indebtedness for Borrowed Money of the Issuer, the Parent Guarantor or any Principal Subsidiary (as defined below), other than Non-recourse Indebtedness, is not paid when due, or if later and applicable, by the expiry of any applicable grace period; (B) any Indebtedness for Borrowed Money of the Issuer, the Parent Guarantor or any Principal Subsidiary, other than Non-recourse Indebtedness, is declared to be, or automatically becomes due and payable as a result of an event of default (howsoever defined) prior to its stated maturity; or (C) default is made by the Issuer, the Parent Guarantor or any Principal Subsidiary in making any payment due and called upon (or, if later and if applicable, by the expiry of any applicable grace period) under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, provided that the aggregate of all such Indebtedness for Borrowed Money, guaranties and indemnities in (A), (B), and (C) above is at least £20,000,000 (or its equivalent from time to time in other currencies); or
- (iv) if an order is made by any competent court or an effective resolution passed for the winding-up of, or an administration order is made in relation to, the Issuer,

the Parent Guarantor or any Principal Subsidiary (as defined below), save (A) with the prior written consent of the Trustee or the prior sanction of an Extraordinary Resolution of the Noteholders, or (B) in the case of a Principal Subsidiary, for a voluntary solvent winding-up where surplus assets are available for distribution and are distributed to another member of the Group; or

- (v) if (a) the Parent Guarantor ceases to be an institution with a Part IV permission under the FSMA (including a permission to accept deposits); or (b) (except for a Permitted Disposal) any member of the Group Disposes of any undertaking, property or assets (whether by a single transaction or by a number of transactions, whether related or not, occurring within the period commencing on the date of publication of the annual audited consolidated balance sheet of the Group for each financial year of the Group and ending on the date of publication of the annual audited consolidated balance sheet of the Group for the next financial year of the Group) which constitutes more than 25% of the total assets of the Group as shown in the most recent publicly available annual audited consolidated balance sheet of the Group at the time of any such Disposal; or
- (vi) if the Issuer or the Parent Guarantor ceases, or threatens through an official action of its board of directors to cease, to carry on the whole or substantially the whole of its business, save for the purposes of, or in connection with, a reconstruction, reorganisation, amalgamation or other matter the terms of which have been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders;
- (vii) if the Issuer, the Parent Guarantor or any Principal Subsidiary stops payment to its creditors generally, or is unable to pay its debts within the meaning of Section 123(1)(e) or Section 123(2) of the Insolvency Act 1986; or
- (viii) if an encumbrancer takes possession of, or an administrative or other receiver or an administrator is appointed over, the whole or any substantial part of the undertaking, property or assets (excluding any undertaking, property or assets over which a Security Interest has been given to secure any Non-recourse Indebtedness) of the Issuer, the Parent Guarantor or any Principal Subsidiary, or a distress or execution is levied or enforced upon or sued out against the whole or a substantial part of the undertaking, property or assets (excluding any undertaking, property or assets over which a Security Interest has been given to secure any Non-recourse Indebtedness) of the Issuer, the Parent Guarantor or any Principal Subsidiary, and, in the case of any of the foregoing events (other than the appointment of an administrator), is not discharged within 30 days; or
- (ix) if the Issuer or the Parent Guarantor initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an

arrangement or composition with its creditors generally (or any class of its creditors); or

- (x) if the Guarantee ceases to be, or is claimed by the Issuer or the Parent Guarantor not to be, in full force and effect; or
- (xi) if any event occurs which under the laws of the relevant jurisdiction has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in paragraphs (iv), (vii), (viii) or (ix) above;

**PROVIDED**, in the case of any such event other than those described in subparagraphs (i), (iv) (in relation to the Issuer or the Parent Guarantor only), (vii) (in relation to the Issuer or the Parent Guarantor only), (x) and (xi) (in the case of any event having an analogous effect to a winding up or dissolution of the Issuer or the Parent Guarantor) above, the Trustee shall have certified to the Issuer and the Parent Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Noteholders.

(b) ***Enforcement***

- (i) The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Parent Guarantor 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 such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured to its satisfaction.
- (ii) No Noteholder or Couponholder shall be entitled to institute proceedings directly against the Issuer or the Parent Guarantor or prove in the winding-up of the Issuer or the Parent Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure is continuing, in which event any such holder may, on giving an indemnity and/or security satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute such proceedings and/or prove in the winding-up of the Issuer and/or the Parent Guarantor to the same extent and in the same jurisdiction (but not further or otherwise) that the Trustee would have been entitled to do so in respect of the Notes, the Trust Deed and/or the Guarantees.

(d) ***Interpretation***

For the purposes of these Conditions:

“**Disposes**” means, in relation to any undertaking, property or assets, a sale, transfer, lease or other disposal thereof and “**Disposal**” shall be construed accordingly; and

**“Permitted Disposal”** means a Disposal:

- (i) of cash in consideration of an acquisition of any undertaking, property or assets to be used in the business of the Group; or
- (ii) made in the ordinary course of business; or
- (iii) to another member of the Group; or
- (iv) for fair market value on arm's length terms where the proceeds are applied within 180 days of receipt in the business of the Group for reinvestment, repayment of liabilities of the Group which have been incurred on arm's length terms, or working capital purposes.

#### **11. 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 Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

#### **12. Agents**

The names of the initial Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent, a Paying Agent, a Transfer Agent and a Registrar; and
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority).

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Parent Guarantor and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

### **13. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9 (*Prescription*).

### **14. Notices**

All notices regarding the Bearer Notes will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Trustee may approve. It is expected that publication will normally be made in the Financial Times. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed by or on a competent authority or stock exchange and the rules of that competent authority or stock exchange so require, such notice will be published in a daily newspaper of general circulation in the places or places required by that competent authority or stock exchange.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any

Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Final Terms after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

#### **15. Meetings of Noteholders, Modification and Waiver**

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 the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Parent Guarantor or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. of the 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 Notes or the Coupons (including but not limited to modifying the date of maturity of the Notes or any date for payment of principal or 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 the 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 all Couponholders.

The Trust Deed provides for a resolution, with or without notice, in writing signed by or on behalf of the holder or holders of not less than 90 per cent. of the principal amount of the Notes for the time being outstanding to be as effective and binding as if it were an Extraordinary Resolution duly passed at a meeting of the Noteholders.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification, or to the waiver or authorisation, of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do, or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall, unless the Trustee agrees otherwise, be notified to the Noteholders in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Parent Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 (*Taxation*) and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer, to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes the Coupons and the Trust Deed of the Parent Guarantor or any other Subsidiary of the Parent Guarantor, subject to (a) (except in the case of the substitution of the Parent Guarantor) the Notes being unconditionally and irrevocably guaranteed by the Parent Guarantor on the same basis as for the substituted Issuer, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

**16. Indemnification of the Trustee and Trustee contracting with the Issuer and/or the Parent Guarantor and the Trustee's retirement and removal**

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 to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (a) to enter into business transactions with the Issuer, the Parent Guarantor and/or

any of their respective Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Parent Guarantor and/or any of their respective Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trust Deed contains provisions allowing the Trustee to retire at any time on giving not less than 60 days' prior written notice to the Issuer and the Parent Guarantor without giving any reason and without being responsible for any Expenses (as defined in the Trust Deed) incurred by such retirement. The Noteholders may by Extraordinary Resolution remove any trustee or trustees for the time being of the Notes. The Trust Deed provides that the retirement or removal of any such Trustee shall not become effective until a successor trustee (being a trust corporation) is appointed. The Trust Deed provides that, in the event of the Trustee giving notice of retirement or being removed by Extraordinary Resolution under the Trust Deed, the Issuer and the Parent Guarantor shall use their best endeavours to procure that a new trustee is appointed as soon as reasonably practicable. If no appointment has become effective within 60 days of such notice or Extraordinary Resolution, the Trust Deed provides that the Trustee shall be entitled to appoint a trust corporation. No appointment of a trustee shall take effect unless previously approved by an Extraordinary Resolution. Notice of any such change shall be given to the Noteholders in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

#### **17. Further Issues**

The Issuer is at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue.

#### **18. Contracts (Rights of Third Parties) Act 1999**

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

**19. Governing Law**

The Trust Deed, the Agency Agreement, the 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.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be on lent by the Issuer to the Parent Guarantor and applied by the Group for its general corporate purposes, which include making a profit.

## CLOSE BROTHERS FINANCE PLC

Close Brothers Finance plc is a finance vehicle and a subsidiary of the Group. It was incorporated under the Companies Act 1985 on 14 November, 2001 in England and Wales as a public company with limited liability (registered number 4322721). The Issuer is a subsidiary of Close Brothers Limited. The authorised and issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each of which 49,999 are held by Close Brothers Limited and one is held by Close Brothers Group plc.

The registered office of the Issuer is 10 Crown Place, London EC2A 4FT and its telephone number is +44 (0) 20 7655 3100.

### Directors

The Directors of the Issuer and their respective occupations are:

<i>Director</i>	<i>Business Occupation within Close Brothers Finance plc</i>	<i>External Directorships</i>
S R Hodges	Director	None
M P Hook	Director	None
M B Morgan	Director	None

The business address of each of the Directors of the Issuer is that of the registered office set out above and at the back of this Prospectus.

There are no potential conflicts of interest between the duties to the Issuer of the Directors and their private interests and/or other duties.

The Company Secretary of the Issuer is N Jennings.

The Issuer is a finance vehicle to be used as Issuer of the Notes. A copy of the Issuer's Memorandum and Articles of Association will be available for inspection as described under "**General Information**" below.

## CLOSE BROTHERS LIMITED

Close Brothers Limited was incorporated on 9 February 1924 under the Companies Acts 1908 to 1917 in England and Wales as a private company with limited liability (registered number 195626). CBL is a bank and is authorised to accept deposits under the FSMA. CBL is authorised by the Prudential Regulatory Authority and is regulated by the Financial Conduct Authority and the Prudential Regulatory Authority and is the parent company of a group providing a range of banking services. CBL is a wholly-owned indirect subsidiary of Close Brothers Group plc.

The registered office of the Parent Guarantor is 10 Crown Place, London, EC2A 4FT and its telephone number is +44 (0) 20 7655 3100.

### Directors

The Directors of the Parent Guarantor and their respective occupations are:

<i>Director</i>	<i>Business Occupation within Close Brothers Limited</i>	<i>External Directorships</i>
P Prebensen	Chairman	None
S R Hodges	Chief Executive Officer	None
R C Golden	Director	None
J A G Howell	Director	Sage Group plc
S P Bishop	Director	None
M P Hook	Director	None
F D Pennal	Director	None
M B Morgan	Director	None
A J Sainsbury	Director	Mountfield Group Plc

The business address of each of the Directors of the Parent Guarantor is that of the registered office set out above and at the back of this Prospectus.

There are no potential conflicts of interest between the duties to the Parent Guarantor of the Directors and their private interests and/or other duties.

The Company Secretary of the Parent Guarantor is J Hudspith.

## **Business Operations**

The Group is comprised of a number of specialist businesses focused on specialist lending to small and medium sized enterprises (“**SMEs**”), professionals and consumers, financing a diverse range of asset classes, mainly in the UK but also in Ireland, the Channel Islands and Germany. This also includes active treasury and deposit-taking operations in London.

The main source of income for the Group is net interest and fees on its loan book supplemented by rental income and interest income on treasury assets.

The Group's strategy is to deliver sustainable growth and strong returns throughout the economic cycle. To do this, the Group continually invests in its business model to maintain its local presence and leading position in its chosen specialist markets, in order to build long-term client relationships.

The Group's loan book is predominately secured with conservative loan to value ratios. Average loan size is small with short average tenor. The portfolio is diversified with a limited number of individual deals which could materially impact the Group's earnings.

Control and governance is exercised both within the business and through oversight by a central team. Strict lending criteria are applied when testing the credit quality and covenant of the underlying borrower and significant emphasis is placed on the quality of the underlying security. Rigorous and timely collections and arrears management processes are also in place.

The Group provides specialist finance solutions through three lending business units: Retail, which provides intermediated lending solutions principally to consumers; Commercial, which provides asset and invoice finance solutions primarily to small businesses; and Property which provides short term finance principally for residential property development.

The Treasury function provides funding for the group's lending activities through corporate deposits, retail savings products, and wholesale funding.

The Group had around 1,900 employees at 31 July 2015, of which c.500 were involved with sales activities.

### *(a) Retail*

The Retail business unit principally comprises the premium finance and motor finance businesses, and had a net loan book of £2,266.0 million as at 31 July 2015.

The premium finance business finances the insurance payments of UK companies and individuals via a network of c.1,700 insurance brokers. This allows the insured to manage their cash flow through the payment of insurance premiums in instalments, typically over a 10-month period. As at 31 July 2015, the premium finance business had a loan book of £665.7 million, and provided finance to over 200,000 SMEs and 1.5 million individuals with an average loan size of c. £500.

The motor finance business provides point of sale finance for the acquisition of cars, motorbikes and light commercial vehicles through motor dealers. The business operates through 13 branches across the UK, which service a network of over 7,500 motor dealers ranging from small independent dealerships to large multi-franchised dealerships and manufacturers. As at 31 July 2015, the motor finance business had a loan book of £1,600.3 million, relationships with almost 33,000 SMEs and over 230,000 individuals and an average loan size of c. £6,000 with an average contractual loan term of 3-4 years.

*(b) Commercial*

The Commercial business unit incorporates both the asset finance and invoice finance operations, which had a combined loan book of £2,172.8 million as at 31 July 2015, providing finance to over 25,000 SMEs.

The asset finance business provides commercial asset financing across various asset classes, including financing of commercial vehicles, machine tools, contractors' plant, printing equipment, aircraft and medical equipment through tailored product offerings including hire purchase, leasing and refinancing. The business operates through end-to-end relationships with borrowers. The majority of customers are served directly by a specialist team, and we also provide finance through a network of over 1,000 intermediary brokers. As at 31 July 2015, the asset finance business had a loan book of £1,796.2 million, relationships with around 24,000 SMEs and an average loan size of c. £35,000 with an average term of 3-4 years.

The invoice finance business provides debt factoring and invoice discounting to the SME sector in the UK and Germany operating through direct lending to over 1,200 SME borrowers. The invoice finance business had a loan book of £376.6 million as at 31 July 2015 with an average loan size of c. £300,000 and an average loan term of 2-3 months.

*(c) Property*

The Property business unit specialises in short-term residential property development refurbishment and development finance across the UK. Products offered include residential property development loans, which account for c.75% of the loan book, pre-let commercial development loans and bridging loans. As at 31 July 2015, the loan book was £1,299.0 million with average loan sizes ranging from c. £300,000 for bridging finance, c. £600,000 for refurbishment loans and c. £1.7 million for new build residential development loans. The average loan term is 6-18 months and the business had relationships with over 800 borrowers.

*(d) Treasury*

The Treasury business unit provides funding for the Group's lending activities while maintaining an appropriate level of liquidity.

The Group remains soundly funded with access to total funding of £7.1858 billion as at 31 July 2015, funding the loan book of £5.7 billion. The Group has diverse sources of funding and currently utilises:

- shareholder funds;

- senior unsecured debt;
- other facilities including securitisations, subordinated debt and the government's Funding for Lending Scheme;
- term retail deposits; and
- corporate deposits.

Over the past several years the Group has diversified its sources of funding through debt capital markets issuance, raising longer term retail deposits and utilising repurchase and securitisation agreements. This has enabled it to meet its funding requirements and support strong growth in the loan book over the last few years.

The Group has a robust liquidity framework with policies in place to ensure it meets short and long term cash flow needs as well as satisfying any external regulatory requirements. The Group has maintained a sound level of liquidity which is appropriate in relation to the Group's cash flow needs and the current market environment.

At 31 July 2015, the Group had £1,173.4 million of treasury assets which included £1.1 billion of high quality liquid assets and a small holding of certificates and deposits.

## TAXATION

### UK Taxation

**The following applies only to persons who are the beneficial recipients of payments under the Notes and is a summary of the Issuer's understanding of current law and HM Revenue & Customs ("HMRC") practice in the United Kingdom. It relates only to the United Kingdom withholding tax treatment of payments of interest in respect of Notes and is not intended to be exhaustive. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes and it may not apply to certain classes of persons such as dealers and persons connected with the Issuer, to whom special rules may apply. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future, including retrospective change. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.**

The references to "interest" in the comments below mean "interest" as understood in United Kingdom tax law. The comments below do not take any account of any different definitions of "interest" which may be created by the Terms and Conditions of the Notes or any relevant documentation.

#### 1. *Payment of Interest on the Notes*

Payment of interest on the Notes by the Issuer may be made without deduction or withholding for or on account of United Kingdom income tax provided that the Notes continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is currently a recognised stock exchange for these purposes. Securities will be treated as listed on the Main Market of the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the Main Market of the London Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction for or on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom tax where interest on the Notes is paid by a company (such as the Issuer) and, at the time the payment is made, the company reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner of such interest is within the charge to United Kingdom corporation tax as regards the payment of such interest; provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom tax where the maturity of the Notes is less than 365 days (provided that such Notes do not form part of an arrangement of borrowing intended to be, or capable of remaining, outstanding for more than 364 days).

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.). This is subject to any other reliefs or exemptions that may apply. Where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

## *2. Withholding tax on payments by the Parent Guarantor under the Guarantees*

Noteholders should be aware that the withholding tax treatment of payments under the Guarantees is not free from uncertainty and any Noteholder who is in any doubt as to the tax treatment of payments made under the Guarantees is advised to obtain professional advice.

Subject to the availability of any relief or exemption, payments under the Guarantees may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent). Investors should note that in the event that any payment made by the Parent Guarantor in respect of the Guarantees is made subject to deduction or withholding for or on account of any taxes, duties, assessments or governmental charges of any nature, the Parent Guarantor will, save in certain limited circumstances provided in Condition 8 (*Taxation*), be required to pay additional amounts to cover the amounts so withheld or deducted.

## *3. Provision of Information*

HMRC have powers to obtain information, including in relation to interest or payments treated as interest and payments derived from securities. 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 in connection with transactions relating to the Notes. Information obtained by HMRC may be provided to tax authorities in other countries.

## SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the "**Programme Agreement**") dated 26 July, 2013, agreed with the Issuer and the Parent Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes". The Notes may be sold by the Issuer through the Dealers, acting as agents of the Issuer. In the Programme Agreement, the Issuer (failing which, the Parent Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### **Selling Restrictions**

#### *United States*

Neither the Notes nor the Guarantees have been, nor will they be, registered under the Securities Act or any state securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated 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, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

*Public Offer Selling Restriction under the 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 this Prospectus 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 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, the Parent Guarantor 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 an “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 the Relevant Member State; and

the expression **2010 PD Amending Directive** means Directive 2010/73/EC.

*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) 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 whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not or, in the case of the Parent Guarantor, would not, if it was not an authorised person, apply to the Issuer or the Parent Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### *Japan*

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “**FIEA**”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan, or to or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

#### *The Netherlands*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam by NYSE Euronext with due observance of the Dutch Savings Certificates Act (*Wet inzake Spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations.

No such mediation is required in respect of (a) the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial

issue of Zero Coupon Notes in definitive form to the first holders thereof, or (c) the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) the issue and trading of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in the Zero Coupon Note in global form) of any particular Series are issued outside The Netherlands and are not distributed within The Netherlands in the course of their initial distribution or immediately thereafter.

In the event that the Dutch Savings Certificates Act applies, certain identification requirements in relation to the issue and transfer of, and payments on, Zero Coupon Notes have to be complied with and, in addition thereto, if such Zero Coupon Notes in definitive form do not qualify as commercial paper traded between professional borrowers and lenders within the meaning of the agreement of 2 February 1987, attached to the Royal Decree of 11 March 1987, (*Staatsblad 129*) (as amended), each transfer and acceptance should be recorded in a transaction note, including the name and address of each party to the transaction, the nature of the transaction and the details and serial numbers of such notes. For purposes of this paragraph “Zero Coupon Notes” means notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

#### *Italy*

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed and each further dealer appointed under the Programme will be required to represent and agree that no Notes may be offered, sold or delivered nor may copies of the Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of 24 February, 1998, as amended (the “**Financial Services Act**”) and the relevant implementing CONSOB regulations, as amended from time to time, and in Article 2 of Directive No. 2003/71/EC of 4 November, 2003; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May, 1999, as amended from time to time (“**Regulation No. 11971**”).

Any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October, 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September, 1993, as amended (the “**Banking Act (Italy)**”); and

- (ii) in compliance with Article 129 of the Banking Act (Italy), as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

### *Singapore*

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “**Securities and Futures Act**”). Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to section 274 of the Securities and Futures Act, (b) to a relevant person, or any person pursuant to section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in section 275 of the Securities and Futures Act, or (c) pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons specified in section 275 of the Securities and Futures Act which has subscribed or purchased Notes, namely a person who 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,

should note that 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 of the Securities and Futures Act except:

- (i) to an institutional investor under section 274 of the Securities and Futures Act or to a relevant person defined in section 275(2) of the Securities and Futures Act or, (in the case of a corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the Securities and Futures Act or, (in the case of a trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the Securities and Futures Act;
- (ii) where no consideration is given for the transfer;
- (iii) by operation of law; or

- (iv) pursuant to section 276(7) of the Securities and Futures Act.

*Hong Kong*

Each Dealer has represented and agreed and each further Dealer appointed under this Programme will be required to represent and agree that:

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

*General*

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Parent Guarantor, the Trustee and any other Dealer shall have any responsibility therefore.

None of the Issuer, the Parent Guarantor, the Trustee and any of the Dealers has represented 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 any such sale.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 15 November, 2004, 12 November, 2008, 16 January, 2009, 23 March, 2011, 3 May, 2012, 25 July 2013, 16 December, 2014 and 16 December, 2015. The giving of the Guarantee has been duly authorised by resolutions of the Board of Directors of the Parent Guarantor dated 15 November, 2004, 16 January, 2009, 29 April, 2010, 23 March, 2011, 3 May, 2012 25 July, 2013, 16 December, 2014 and 16 December 2015.

### Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Main Market of the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Main Market of the London Stock Exchange. The listing of the Programme in respect of Notes is expected to be granted on or around 22 December 2015.

### Documents Available

For a period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in London and Luxembourg:

- (a) the Memorandum and Articles of Association of the Issuer and the Memorandum and Articles of Association of the Parent Guarantor;
- (b) the audited non-consolidated annual financial statements of the Issuer in respect of the financial years ended 31 July, 2014 and 31 July, 2015 and the audited consolidated annual financial statements of the Parent Guarantor in respect of the financial years ended 31 July, 2014 and 31 July, 2015 in each case together with the audit reports prepared in connection therewith. The Issuer currently prepares audited non-consolidated financial statements on an annual basis. The Parent Guarantor currently prepares audited consolidated and non-consolidated financial statements on an annual basis;
- (c) the most recently published audited annual financial statements of the Issuer and the Parent Guarantor and the most recently published unaudited interim financial statements (if any) of the Issuer and the Parent Guarantor, in each case together with any audit or review papers prepared in connection therewith;

- (d) the Programme Agreement, the Trust Deed, the Agency Agreement, the Issuer - ICSDs Agreement and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (e) a copy of this Prospectus;
- (f) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms to this Prospectus and any other documents incorporated herein or therein by reference; and
- (g) in the case of each issue of Notes admitted to trading on the Main Market of the London Stock Exchange subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Copies of this Prospectus and any documents incorporated by reference in this Prospectus will also be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at the following address: [www.londonstockexchange.com/news/market-news/rns/rns.htm](http://www.londonstockexchange.com/news/market-news/rns/rns.htm).

### **Clearing Systems**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg, which are the entities in charge of keeping the records. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg 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 applicable Final Terms.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant or Material Change**

There has been no significant change in the financial or trading position of the Issuer, the Parent Guarantor or the Group since 31 July, 2015 and there has been no material adverse change in the financial position or prospects of the Issuer, the Parent Guarantor or the Group as a whole since 31 July, 2015.

## **Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Parent Guarantor are aware), which may have, or had during the 12 months prior to the date hereof, a significant effect on the financial position or profitability of the Issuer, the Parent Guarantor or the Group.

## **Auditors**

The auditors of the Issuer and the Parent Guarantor are Deloitte LLP, Chartered Accountants with the Institute of Chartered Accountants in England and Wales and Registered Auditors, who have audited the Issuer's and the Parent Guarantor's accounts, without qualification, in accordance with generally accepted auditing standards in England for the financial years ended on 31 July, 2014 and 31 July, 2015, respectively.

The auditors of the Issuer have no material interest in the Issuer or in the Parent Guarantor.

## **Dealers transacting with the Issuer and the Parent Guarantor**

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 Issuer, the Parent Guarantor and their affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

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 Issuer, the Parent Guarantor or their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer or Parent Guarantor routinely hedge their credit exposure to the Issuer or Parent Guarantor consistent 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 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.

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