

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 either an unsubordinated or a subordinated 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 Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (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 London Stock Exchange's Regulated Market.

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. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading.

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

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**") will be disclosed in a final terms document (the "**Final Terms**"). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "**Terms and Conditions of the Notes**") of Notes will be set out in the Final Terms, which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange.

### **Arranger**

**Barclays Capital**

### **Dealers**

**Barclays Capital**

**HSBC**

**The Royal Bank of Scotland**

**Danske Bank**

**Société Générale Corporate & Investment Banking**

**UBS Investment Bank**

The date of this Prospectus is 23 March, 2011

**This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “Prospectus Directive”).**

**The Issuer and the Parent Guarantor accept responsibility for the information contained in this Prospectus.**

**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.**

**Copies of Final Terms will be available from the registered office of the Issuer and the specified office set out below of each of the Paying Agents (as defined below).**

**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”) has 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. No Dealer or the Trustee accepts 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.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (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 the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will 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 in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) 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 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 have 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. The expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in the Relevant Member State.

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) supplementary listing particulars or 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.**

## **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.*

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

*Close Brothers Finance plc is a finance vehicle*

Close Brothers Finance plc's primary business is the raising of money for the purpose of on-lending to other members of the group of companies of which the Parent Guarantor is the parent company (the "**Group**"). Substantially all Close Brothers Finance plc's assets are loans and advances made to other members of the Group and the ability of Close Brothers Finance plc to satisfy its obligations in respect of the Notes will depend upon payments made to it by other members of the Group in respect of loans and advances made by Close Brothers Finance plc.

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

#### ***Reputational risk***

The Parent Guarantor considers a loss of reputation to be the most 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. However, 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 and dedicates 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, there can be no assurance that the Group's financial performance will not be adversely affected should unforeseen events relating to reputational risks arise in the future.

## **Adverse Economic Conditions**

The Group engages in a diversified range of activities within the financial services industry, with the majority of transactions undertaken within the UK. As such the Group has an exposure to global economic conditions generally and to economic conditions in the UK in particular. Economic conditions deteriorated significantly during 2008, 2009 and 2010 and in 2011 the outlook remains uncertain. The impact of poor economic conditions on the Group's customers and markets has the potential to impact adversely the Group's financial performance and prospects, as well as to increase other risks.

The Group has historically operated a conservative business model and has traded profitably in the financial year ended 31 July 2010. While there is limited visibility on future economic conditions, the Group's risk management, internal control systems and overall business model are designed so as to enable it to continue to trade profitably through downturns in the economic cycle. Despite these measures, there can be no assurance that the Group's financial performance will not be adversely affected by future deterioration in economic conditions.

Since the second half of 2008, the global dislocation of financial markets has adversely impacted the availability and increased the cost of wholesale market funding and has caused a large number of banks to write down the value of their securities portfolios. The Group has no exposure to structured credit products and, in particular, to SIVs, CDOs, CLOs, high yield debt, leveraged finance and monolines. The Group believes that it is well positioned to withstand the current challenging market conditions. However, to the extent that current market difficulties persist, there can be no assurance that the Group's financial condition and performance will not be adversely impacted by the current, and any future, dislocations in the financial markets.

## **Credit/Counterparty Risk**

The Group has loans and advances to, and has purchased debt securities from, a number of financial institutions. A failure of one or more of these institutions could have a material impact on the Group's financial position.

The credit quality of the counterparties with whom the Group places deposits or whose debt securities the Group holds is assessed with regard to, *inter alia*, the following factors:

- (a) the stability of the underlying economy of the country in which the institution is domiciled;
- (b) the scale of the institution and the level of support it is expected to attract in the event of financial difficulties;
- (c) the credit rating of the entity. Only "AA" rated entities are considered suitable as new counterparties; any subsequent downgrade of the relevant entity is re-evaluated.

The Group's lending activities give rise to credit risk. The Group adheres to strict lending criteria and places significant emphasis on the quality of any security provided. In addition, the Group's loan book is diversified, short term and the majority of lending is secured.

***Funding risk***

The Group requires access to sources of funding to support its client lending and in order to grow its business. However, following the banking crisis of late 2008 access to the wholesale credit markets has become more uncertain. In addition, the cost of wholesale funding, where available, has increased significantly.

Inability to source sufficient funding could constrain growth and, in extreme circumstances, require the Group to reduce lending levels.

***Liquidity risk***

The Group requires cash resources to support client lending, trading activities and investments. The liquidity of the Group is managed so as to ensure that the Group is always able to meet its liabilities as they fall due. However, in the event of a sudden loss of confidence in the Group's liquidity position causing a rapid withdrawal of customer deposits, the Group's ability to continue to pursue its business objectives could be placed at risk. The Group's policy is to finance customer loans and advances by capital and reserves, longer-term deposits and committed facilities with only limited financing from shorter-term deposits.

***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 has been under heavy scrutiny. Major changes to the types and levels of liquidity banks are required to hold have already been introduced by the Financial Services Authority (the "FSA") and, following the formation of the coalition government in May 2010, the Chancellor of the Exchequer announced that the Government will be reforming the regulatory regime currently in place for banks and financial institutions. The uncertainty over the exact details of these changes, the potential for increased capital requirements and the costs associated with compliance with these and further changes to the regulatory environment 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 offered or the value of its assets.

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 financial condition.

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 nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes.

### ***Operational risk***

Operational risk is the risk of loss or other material adverse impact resulting from inadequate 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 the 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. The Group is also exposed to fraud risk both internal and external and has continued to review and enhance its anti-fraud controls. 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 will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the Financial Services Authority.

### ***Personnel risk***

The success of the Group is closely aligned to the abilities and experience of its employees. The earnings of the Group could be adversely affected by the loss of the services of certain key teams or individuals. The ability of the Group to attract and retain key personnel is critical to the Group's prospects in the medium and long term. A failure to attract, or the loss of, such key personnel could adversely affect the Group's businesses, results of operations and financial position.

In order to manage these risks, the Group seeks to create an open and supportive working environment for its employees. Reward and incentive schemes are regularly reviewed in order to ensure that the Group is successful in attracting and retaining the calibre of employees necessary to meet its objectives, while aligning such schemes with risk, compliance and treating customers fairly objectives. The Group has succession plans for key employees. 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.

***Technology risk***

A number of the Group's businesses are reliant on their IT infrastructure in their daily operations. The ability to continue to compete in the markets in which the Group operates necessitates an ability to respond to new technology. Failure to keep up to date in a number of the Group's businesses could lead to a material impact on the Group's earnings. All of the Group's businesses rely on the existence of secure and stable technological platforms.

Each of the Group's businesses continually invest in their IT platforms to ensure they are up to date and fit for purpose for the markets in which they operate. Additionally, disaster recovery plans are in place with alternative business locations maintained to enable the businesses to respond in a timely manner to a disaster event. The Group's overall exposure is further mitigated by individual businesses maintaining discrete IT systems rather than group wide IT platforms. Despite these measures, there can be no assurances that the Group's businesses will not be adversely affected by unforeseen events relating to technology risk in the future.

***Interest rate risk***

Interest income is a substantial proportion of the Group's revenues. Movements in interest rates have the potential to materially affect the Group's earnings.

The Group's policy is to match fixed and variable interest rate liabilities and assets utilising interest rate swaps where necessary. Interest rate mismatch policies are established and compliance is monitored daily. 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.

***Foreign exchange risk***

Foreign exchange risk is the risk that a change in foreign currency exchange rates leads to a reduction in profits or equity.

The majority of the Group's activities are located in the British Isles and transacted in sterling. The Group does however have material currency assets and liabilities primarily due to a range of currency services offered by its Treasury operations. These currency assets and liabilities are principally certificates of deposit, floating rate notes and lending as well as borrowings and customer deposits. The foreign exchange exposures arising from these assets and liabilities could materially affect the Group's business. The foreign exchange exposures arising from these assets and liabilities are managed by matching assets and liabilities by currency and the limited use of foreign currency swaps. Exposures are monitored daily against centrally authorised limits. The Group does not take speculative proprietary positions in foreign currency.

There can be no assurance that the Group's financial performance will not be adversely affected by unforeseen fluctuations in currency prices.

***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.

#### ***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 those acts/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 results of the Group in ways that cannot be predicted.

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

The Group makes acquisitions where it considers that such transactions will enhance its services 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 corresponding 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 it or with any businesses which may 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.

#### ***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. If financial markets remain unstable, financial institution consolidation may accelerate. The Group's financial condition and 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, 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 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 arising 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 effect on the Group's business, results of operations and prospects.

***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.

**Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme*****The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

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

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.

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

A wide 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*

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

*Index Linked Notes and Dual Currency Notes*

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

*Partly-paid Notes*

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

*Variable rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

*Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

*Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes 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 rates on its Notes.

*Notes issued at a substantial discount or premium*

The market value of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for 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.

*The Issuer's obligations under Subordinated Notes are subordinated*

The payment obligations of the Issuer under Dated Subordinated Notes and Undated Subordinated Notes will rank behind Senior Notes. Dated Subordinated Notes constitute unsecured and, in accordance with the paragraphs below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves. Undated Subordinated Notes

constitute unsecured and, in accordance with the paragraphs below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves.

The Issuer is entitled to defer the due date for payment of any principal or interest in respect of the Dated Subordinated Notes to which Condition 3(d) is applicable (as specified in the relevant Final Terms) if the FSA has required or requested the Issuer to defer payment of the relevant payment of such principal and/or interest, and shall defer such due date in circumstances where its Capital Resources would be less than its Capital Resources Requirement after payment of any such principal or interest in whole or in part. See Condition 3(d) of the Terms and Conditions of the Notes for a full description of subordination and the payment obligations of the Issuer under Dated Subordinated Notes.

Payments of principal and interest in respect of the Undated Subordinated Notes are conditional upon the Issuer being solvent. No such principal or interest will be payable in respect of Undated Subordinated Notes except to the extent that the Issuer could make such payment in whole or in part and still be solvent immediately thereafter. See Condition 3(c) of the Terms and Conditions of the Notes for a full description of subordination and the payment obligations of the Issuer under the Subordinated Notes.

Any deferral of interest payments under the Dated Subordinated Notes and suspension of payments under the Undated Subordinated Notes will likely have an adverse effect on the market price of the Dated Subordinated Notes and of the Undated Subordinated Notes. In addition, as a result of the interest deferral provision of the Dated Subordinated Notes and conditional payment provisions of the Undated Subordinated Notes, the market price of the Dated Subordinated Notes and Undated Subordinated Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

*The Parent Guarantor's obligations under Subordinated Notes are subordinated*

The payment obligations of the Parent Guarantor under the Dated Subordinated Guarantee are unsecured obligations of the Parent Guarantor and will rank junior in point of subordination to the obligations of the Parent Guarantor in respects of its Senior Creditors (as defined in Condition 3(e)).

Payment obligations of the Parent Guarantor under the Undated Subordinated Guarantee are unsecured obligations of the Parent Guarantor, and will rank junior in point of subordination to the obligations of the Parent Guarantor in respect of (i) its Senior Creditors and (ii) Dated Subordinated Notes.

See Condition 3(f) of the Terms and Conditions of the Notes for a full description of subordination and the payment obligations of the Parent Guarantor under the Subordinated Guarantees.

***Risks relating to the Banking Act 2009***

Under the Banking Act 2009 (the "**Banking Act**"), substantial powers have been granted to HM Treasury, the Bank of England and the UK Financial Services Authority (the "**FSA**" and, 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 a UK bank, building society or other UK institution with permission to accept deposits pursuant to Part IV of the Financial Services and Markets Act 2000 (“**FSMA**”) (each a “**relevant entity**”) in circumstances in which the Authorities consider its failure has become highly likely and a threat is posed to the public interest. The SRR consists of three stabilisation options and two insolvency and administration procedures applicable to UK banks which may be commenced by the Authorities. 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; and (iii) temporary public ownership (nationalisation) of the relevant entity or its UK-incorporated holding company.

The Authorities have been granted wide powers under the Banking Act including powers to modify contractual arrangements in certain circumstances and powers for HM Treasury to disapply or modify laws (with possible retrospective effect) to enable the powers 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.

Moreover, there can be no assurance that amendments may not be made to the Banking Act or other legislation introduced in the United Kingdom which would have the effect of amending the SRR described above and, as a result, the position of Noteholders. For example, the European Commission launched a consultation on 6 January 2011 on a comprehensive framework for dealing with failing banks and the Basel Committee on Banking Supervision (the “**Basel Committee**”) put forward requirements for Tier 1 and Tier 2 capital instruments on 13 January 2011 which may lead to legislation and/or rules being introduced which would require such instruments to be written off (i.e. by way of a reduction in the principal amount outstanding of such instruments to a lesser amount or to zero, as the case may be) or converted into ordinary shares at the point of a bank’s non viability. The introduction of any such legislation may have an adverse effect on the position of Noteholders.

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

The purpose of the stabilising options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns. Accordingly, the stabilisation options may only be exercised if (a) the FSA is satisfied that a relevant entity (such as the Parent Guarantor) is failing, or is likely to fail, to satisfy the threshold conditions within the meaning of section 41 of the FSMA (which are conditions that a relevant entity must satisfy in order to retain its FSA authorisation to accept deposits); (b) following consultation with the other Authorities, the FSA determines that it is not reasonably likely that (ignoring the stabilising options) action will be taken that will enable the relevant entity to satisfy those threshold conditions; and (c) the 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 relevant entity could be initiated.



*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 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.

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

If the Parent Guarantor were made subject to the SRR and a partial transfer of the Parent Guarantor'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 (which may include the Guarantees) may result in a deterioration in the creditworthiness of the Parent Guarantor and, as a result, increase the risk that the Parent Guarantor may eventually become subject to administration or insolvency proceedings pursuant to the Banking Act. 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 in respect of the Parent Guarantor 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.

If a partial transfer were effected, under the terms of which the liabilities under the Guarantees were not transferred, Noteholders may have a claim for compensation under one of the compensation schemes currently existing under, or contemplated by, the Banking Act (including pursuant to the Banking Act 2009 (Third Party Compensation Arrangements for Partial Property Transfers) Regulations 2009). However, there can be no assurance that Noteholders would thereby recover compensation promptly and equal to any loss actually incurred.

*Basel Committee*

On 17 December 2009, the Basel Committee proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled 'Strengthening the resilience of the banking sector'. On 16 December 2010 and on 13 January 2011, the Basel Committee

issued its final guidance on Basel III. The Basel III reforms require Tier 1 and Tier 2 capital instruments to be more loss-absorbing. The implementation of the Basel III reforms will begin on 1 January 2013, however the requirements are subject to a series of transitional arrangements and will be phased in over a period of time.

The press release dated 13 January 2011 included the following statements:

The terms and conditions of all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

(a) the governing jurisdiction of the bank has in place laws that (i) require such Tier 1 and Tier 2 instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;

(b) a peer group review confirms that the jurisdiction conforms with clause (a); and

(c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a) in this paragraph.

The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority.

The terms of any subordinated Notes issued pursuant to this Prospectus do not contain any such provision. There can be no assurance that the Banking Act 2009 or any amendment or supplementary legislation will be confirmed in due course by a peer group review (as referred to in clause (b) above) to conform with clause (a) above so that such subordinated Notes would be subject to being written down or fully loss absorbing as set out in clause (a) in the above paragraph. If the authorities having regulatory oversight of the Parent Guarantor at the relevant time (i) disclose that a peer group review has confirmed that the UK legislation conforms with clause (a) above and (ii) disclose that they do not require a change to the terms and conditions of any non-common Tier 1 and Tier 2 instruments to include a provision that requires either that they be written off or converted into equity upon the occurrence of a trigger event (which they may require even if UK legislation is deemed by a peer group review to conform to clause (a) in the above paragraph), then the Issuer and the Parent Guarantor will notify holders of any affected subordinated Notes in accordance with applicable Transparency rules that, going forward, such instruments are confirmed as subject to loss as set out in clause (a) in the above paragraph.

Furthermore there can be no assurance that, prior to its implementation in 2013, the Basel Committee will not amend the package of reforms described above. Further, the European Commission and/or the FSA may implement the package of reforms, including the terms which capital securities are required to have, in a manner that is different from that which is currently envisaged, or may impose more onerous requirements on UK banks.

### *Financial Services Compensation Scheme*

The Parent Guarantor, by virtue of being a Financial Services Authority 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. In order to meet its obligations to the depositors of a number of institutions which failed during 2008 and 2009 the FSCS has borrowed amounts from HM Treasury on an interest only basis to September 2011. It is anticipated that these borrowings will be repaid wholly or substantially from the realisation of the assets of these institutions. However, if the assets of these institutions are insufficient, the FSCS will recoup any shortfalls in the form of additional levies based on the level of market participation of individual institutions. At the date of this Prospectus it is not possible to estimate with any certainty the amount or timing of any such additional levies. In certain circumstances, regulated UK deposit takers may further be required to fund, by way of a further increase in the FSCS levy, the capital repayment to HM Treasury of a loan.

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. The FSCS levy may have a material impact on the corporate profits of the Parent Guarantor. The Group has accrued £1.3 million (2008: £nil) 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 2010. There can be no assurance that there will be no actions taken under the Banking Act that may lead to further claims against the FSCS, and concomitant increased FSCS levies payable by the Parent Guarantor (and other regulated UK deposit takers).

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

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

#### *Modification, waivers and substitution*

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, without the consent of 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 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, in the circumstances described in Condition 15.

#### *EU Savings Directive*

Under EC Council Directive 2003/48/EC (the “**Directive**”) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident or to certain other persons established in that other Member State. However, for a

transitional period which commenced on 1 July 2005 and the end of which is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries, Luxembourg, Austria and Belgium are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries) subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or similar income may request that no tax be withheld. A number of non-EU countries and territories have adopted similar measures.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor the Parent Guarantor nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

#### *Change of law*

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.

#### *Bearer Notes where denominations involve integral multiples: definitive bearer Notes*

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 definitive Notes in bearer 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.

#### *Fixed Rate Notes risks*

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.

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

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

#### *The secondary market generally*

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 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 risks and exchange controls*

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. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Credit ratings may not reflect all risks*

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.

***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.

## 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:** Barclays Bank PLC

**Dealers:** Barclays Bank PLC  
Danske Bank A/S  
HSBC 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 Financial Services and Markets Act 2000 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>Redenomination:</b>	The applicable Final Terms may provide that certain Notes may be redenominated in euro.
<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 or a partly-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 “ <b>Form of the Notes</b> ”. 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: <ul style="list-style-type: none"> <li>(i) on the same basis as the floating rate under a</li> </ul>



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 a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer.

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.

**Index Linked Notes:**

Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.

**Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:**

Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index Linked Interest 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 may be agreed between the Issuer and the relevant Dealer.

**Dual Currency Notes:**

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.

**Physical Settlement of Notes:**

Where so specified in the applicable Final Terms and subject to compliance with applicable law and regulations, Notes may be redeemed by settlement in the form of physical delivery of the assets specified in the applicable Final Terms.

- 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 in specified instalments, if applicable, or 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.
- The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.
- 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 admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive 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 Senior Notes will contain a negative pledge provision, as further described in Condition 4 (*Negative Pledge (Senior Notes only)*).
- Cross Default:** The terms of the Senior Notes will contain a cross default provision as further described in Condition 10 (*Events of Default*).
- Status of the Senior Notes:** The Senior Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4 (*Negative Pledge (Senior Notes only)*), 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.
- Subordination:** Payments in respect of the Subordinated Notes will be subordinated as described in Condition 3 (*Status of the Senior Notes, the Guarantees and Subordination*).
- Guarantees:** The Notes will be unconditionally and irrevocably guaranteed by the Parent Guarantor either on an unsubordinated basis (the “**Senior Guarantee**”) or a subordinated basis (the “**Dated Subordinated Guarantee**” or the “**Undated Subordinated Guarantee**”, as the case may be).
- The payment obligations of the Parent Guarantor under the Senior Guarantee will be direct, unconditional and, subject to the provisions of Condition 4 (*Negative Pledge (Senior Notes only)*), 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.
- The payment obligations of the Parent Guarantor under the Dated Subordinated Guarantee will be unsecured obligations of the Parent Guarantor, subordinated in a winding-up of the Parent Guarantor, and will rank (i) *pari passu* with its obligations in respect of claims (if any) which rank or are expressed to rank *pari passu* with its obligations under the Dated Subordinated Guarantee, (ii) senior in point of subordination to the obligations of the Parent Guarantor in respect of Undated Subordinated Notes and Preferred Securities (as defined in Condition 3 (*Status of the Senior Notes, the Guarantees and Subordination*)) and (iii) junior in point of subordination to the obligations of the Parent Guarantor in respect of Senior Creditors (as defined in

Condition 3 (*Status of the Senior Notes, the Guarantees and Subordination*)).

The payment obligations of the Parent Guarantor under the Undated Subordinated Guarantee will be unsecured and subordinated obligations of the Parent Guarantor, and will rank (i) *pari passu* with its obligations in respect of claims (if any) which rank or are expressed to rank *pari passu* with its obligations under the Undated Subordinated Guarantee, (ii) senior in point of subordination to the obligations of the Parent Guarantor in respect of Preferred Securities and (iii) junior in point of subordination to the obligations of the Parent Guarantor in respect of Senior Creditors.

**Rating:** The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms.

**Listing and admission to trading:** 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 London Stock Exchange's Regulated Market.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

**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.

## 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 SA/NV (“**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 depository (the “**Common Depository**”) 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, receipts, 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, receipts, 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 Depositary 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 following legend will appear on all Bearer Notes which have an original maturity of more than 365 days and on all receipts and 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, receipts 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, receipts or interest coupons.

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 Depository 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 receipts, 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, 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 at least 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, Receiptholder 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.



## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the Financial Services Authority 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, 2009 and 31 July, 2010, respectively, which appear on pages 5 to 12 of the annual report of the Issuer for the year ended 31 July, 2009 and on pages 4 to 11 of the annual report of the Issuer for the year ended 31 July, 2010 and the auditors report and audited consolidated annual financial statements of the Parent Guarantor for the financial years ended 31 July, 2009 and 31 July, 2010, respectively, which appear on pages 12 to 39 (inclusive) of the annual report of the Parent Guarantor for the year ended 31 July, 2009 and on pages 13 to 42 (inclusive) of the annual report of the Parent Guarantor for the year ended 31 July, 2010;
- (b) the Memorandum and Articles of Association of the Issuer and the Parent Guarantor,
- (c) the first three paragraphs of the announcement by Close Brothers Group plc dated 21 February, 2011 of the acquisition of the retail structured term deposit book of Dunbar Bank plc by Close Brothers Limited; and
- (d) the first four paragraphs of the announcement by Close Brothers Group plc dated 10 March, 2011 of Close Brothers Group plc's disposal of its UK offshore trust, fund administration, asset management and banking business, with the exception of the second sentence of the third paragraph (beginning with the words "The sale is expected...").
- (e) the first four paragraphs of the announcement by Close Brothers Group plc dated 21 March, 2011 of Close Brothers Group plc's disposal of its Cayman Islands trust, fiduciary services, fund administration and banking business, with the exception of the second sentence of the third paragraph (beginning with the words "on completion the group...").

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.

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: <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/>.

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 Financial Services and Markets Act 2000.

## 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 23 March, 2011 [and the supplemental Prospectus dated [\*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at, and copies may be obtained from the following address: <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/>.

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]*

*[When completing Final Terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination must be £100,000 or its equivalent in any other currency.]*

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

*[If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible]*

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 [*insert date*] (if applicable)]
6. (a) Specified Denominations: **[ ]**

*(Note - where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")*

*(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the €100,000 or equivalent minimum denomination is not required.)*

(b) Calculation Amount: *(If only one Specified Denomination, insert the Specified Denomination.*

*If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*

7. (a) Issue Date: **[ ]**  
 (b) Interest Commencement Date: [*specify/Issue Date/Not Applicable*]

*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*

8. Maturity Date: [*Fixed rate - specify date/*  
 Floating rate - Interest Payment Date falling in

- or nearest to [*specify month and year*]]
9. Interest Basis: [[I] per cent. Fixed Rate]  
 [[LIBOR/EURIBOR] +/- [I] per cent. Floating Rate]  
 [Zero Coupon]  
 [Index Linked Interest]  
 [Dual Currency Interest]  
 [*specify other*]  
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
 [Index Linked Redemption]  
 [Dual Currency Redemption]  
 [Partly Paid]  
 [Instalment]  
 [*specify other*]
- [N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply]*
11. Change of Interest Basis or Redemption/Payment Basis: [*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12. Put/Call Options: [Investor Put]  
 [Issuer Call]  
 [(further particulars specified below)]
13. (a) Status of the Notes: [Senior/[Dated/Undated] Subordinated] [In the case of Subordinated Notes, Condition 3(d) shall apply [*Upper Tier 3 Notes only*]]
- (b) Status of the Guarantee: [Senior/[Dated/Undated] Subordinated]
- (c) [Date [Board] approval for issuance of Notes obtained: [I] [and [I], respectively]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*]
14. Method of distribution: [Syndicated/Non-syndicated]

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

15. Fixed Rate Note Provisions: [Applicable/Not Applicable]  
*[If not applicable, delete the remaining subparagraphs of this paragraph]*
- (a) Rate(s) of Interest: [I] per cent. per annum [payable [annually/semi-annually/quarterly/other specify] in arrear] *[If payable other than annually, consider amending Condition 5]*
- (b) Interest Payment Date(s): [[I] in each year up to and including the Maturity Date]/[specify other]  
  
*[N.B. This will need to be amended in the case of long or short coupons]*
- (c) Fixed Coupon Amount(s): [I] per Calculation Amount  
*[applicable to Notes in definitive form]*
- (d) Broken Amount(s): [I] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [I]  
*(applicable to Notes in definitive form)*
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [specify other]]
- (f) Determination Date(s): [I] in each year  
*[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon  
 N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration  
 N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)]*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
16. Floating Rate Note Provisions: [Applicable/Not Applicable]  
*[If not applicable, delete the remaining subparagraphs of this paragraph]*
- (a) Specified Period(s)/Specified Interest Payment Dates: [I]

- (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/ *[specify other]*]
- (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/*specify other*]
- (f) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): **[ ]**
- (g) Screen Rate Determination:
- (i) Reference Rate: **[ ]**  
*[Either LIBOR, EURIBOR or other, although additional information is required if other - including fallback provisions in the Agency Agreement]*
- (ii) Interest Determination Date(s): **[ ]**  
*[Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR]*
- (iii) Relevant Screen Page: **[ ]**  
*[In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately]*
- (h) ISDA Determination:
- (i) Floating Rate Option: **[ ]**
- (ii) Designated Maturity: **[ ]**
- (iii) Reset Date: **[ ]**

- (i) Margin(s): [ +/- ] [ ] per cent. per annum
- (j) Minimum Rate of Interest: [ ] per cent. per annum
- (k) Maximum Rate of Interest: [ ] per cent. per annum
- (l) Day Count Fraction: [[Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
30E/360(ISDA)  
Other]  
(See Condition 5 for alternatives)
- (m) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
17. Zero Coupon Note Provisions: [Applicable/Not Applicable]  
*[If not applicable, delete the remaining subparagraphs of this paragraph]*
- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Any other formula/basis of determining amount payable: [ ]
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(e) and (j) apply/specify other]  
*[Consider applicable Day Count Fraction if not U.S. dollar denominated]*
18. Index Linked Interest Note Provisions: [Applicable/Not Applicable]  
*[If not applicable, delete the remaining subparagraphs of this paragraph]*
- (a) Index/Formula: *[give or annex details to include the final reference price/exercise price of the underlying]*
- (b) Calculation Agent responsible for *[give name and, if the Notes are derivative securities to which Annex XII to the*



- calculating the interest due: *Prospectus Directive Regulation applies, address]*
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (e) Specified Period(s)/Specified Interest Payment Dates: **[ ]**
- (f) Business Day Convention: *[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]*
- (g) Additional Business Centre(s): **[ ]**
- (h) Minimum Rate of Interest: *[ ] per cent. per annum*
- (i) Maximum Rate of Interest: *[ ] per cent. per annum*
- (j) Day Count Fraction: **[ ]**
19. Dual Currency Interest Note Provisions: *[Applicable/Not Applicable]*  
*[If not applicable, delete the remaining subparagraphs of this paragraph]*
- (a) Rate of Exchange/method of calculating Rate of Exchange: *[give or annex details]*
- (b) Party, if any, responsible for calculating the Principal and/or interest due (if not the Agent): **[ ]**
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (d) Person at whose option Specified **[ ]**

Currency(ies) is/are payable:

**PROVISIONS RELATING TO REDEMPTION**

20. Issuer Call: [Applicable/Not Applicable]  
*[If not applicable, delete the remaining subparagraphs of this paragraph]*
- (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/specify other/see Appendix]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (d) Notice period (if other than as set out in the Conditions): [ ]  
*[N.B. If setting notice periods which are different from those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example clearing systems and custodians, as well as any other notice requirements which may apply, for example as between the Issuer and the Principal Paying Agent or Trustee]*
21. Investor Put: [Applicable/Not Applicable]  
*[If not applicable, delete the remaining subparagraphs of this paragraph]*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [ ] per Note of [ ] Specified Denomination
- (c) Notice period (if other than as set out in the Conditions): [ ]  
*[N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information*

*through intermediaries, for example clearing systems and custodians, as well as any other notice requirements which may apply, for example as between the Issuer and the Principal Paying Agent or Trustee]*

*[N.B. Notice periods must be five years or more, in the case of Dated Subordinated Notes, and two years or more, in the case of Dated Subordinated Notes which constitute Upper Tier 3 Capital]*

22. Final Redemption Amount: [I] per Calculation Amount/specify other/see Appendix  
*[N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply]*
23. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)): [[I] per Calculation Amount/specify other/see Appendix]
24. Settlement Basis: [Cash Settlement and/or Physical Settlement specify assets and Settlement Agent (if other than the Principal Paying Agent)]

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

25. (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)]

*\*(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

- (b) New Global Note: [Yes][No]
26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]  
*(Note that this paragraph relates to the date and place of payment and not Interest Period end dates to which sub-paragraphs 16(c) and 18(f) relate)*
27. Talons for future Coupons or Receipts to be attached to Definitive Notes in bearer form (and dates on which such Talons mature): [Yes/No. If yes, give details]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]
29. Details relating to Instalment Notes:
- (a) Instalment Amount(s): [Not Applicable/give details]
- (b) Instalment Date(s): [Not Applicable/give details]

30. Redenomination applicable: Redenomination [not] applicable  
*(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*
31. Other final terms: [Not applicable/give details]  
*(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

## DISTRIBUTION

32. (a) If syndicated, names of Managers: [Not Applicable/give names]  
*(If the Notes are derivative securities to which Annex XII to the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)*
- (b) Date of [Subscription] Agreement: [ ]  
*(The above is only relevant if the Notes are derivative securities to which Annex XII to the Prospectus Directive Regulation applies.)*
- (c) Stabilising Manager(s) (if any): [Not Applicable/give name]
33. If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
34. U.S. Selling Restrictions: [Reg. S Category 2; TEFRA D/TEFRA C/TEFRA not applicable]
35. Additional selling restrictions: [Not Applicable/give details]

## [LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required for issue and admission to trading on the London Stock Exchange's Regulated Market and listing on the Official List of the UK Listing

Authority of the Notes described herein pursuant to the £1,000,000,000 Euro Medium Term Note Programme of Close Brothers Finance plc.]

**RESPONSIBILITY**

The Issuer and the Parent Guarantor accept responsibility for the information contained in these Final Terms. *[[Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components]* has been extracted from *[specify source]*. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by *[specify source]*, no facts have been omitted which would render the reproduced information inaccurate or misleading.]

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 London Stock Exchange's Regulated Market and listing on the Official List of the UK Listing Authority with effect from [I].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market and listing on the Official List of the UK Listing Authority with effect from [I].] [Not Applicable.]

(ii) Estimate of total expenses related to admission to trading: [I]

### 2. RATINGS

Ratings: The Notes to be issued have been rated:  
 [S & P: [I]]  
 [Fitch: [I]]  
 [Moody's: [I]]  
 [[Other]: [I]]

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

[[Insert credit rating agency] is established in the European Union and has applied for registration under Regulation (EC) No 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[Insert credit rating agency] is established in the European Union and is registered under Regulation (EU) No 1060/2009.]

[[Insert credit rating agency] is not established in the European Union and has not applied for

registration under Regulation (EC) No 1060/2009.]

[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EC) No 1060/2009 but is endorsed by [*insert credit rating agency*], which is established in the European Union and registered under Regulation (EC) No 1060/2009.]

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the Regulation (EC) No 1060/2009 ("**CRA Regulation**") unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

### 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. - *Amend as appropriate if there are other interests*]

[(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.*)]

### 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i)] Reasons for the offer: [I]

[(ii)] Estimated net proceeds: [I]

[(iii)] Estimated total expenses: [I]

(*N.B.: Delete unless the Notes are derivative securities to which Annex XII to the Prospectus Directive Regulation applies, in which case (i) above is required where the*



*reasons for the offer are different from making profit and/or hedging certain risks, and where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)*

**5. YIELD (Fixed Rate Notes only) [I]**

Indication of yield: The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

**6. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (Index Linked Notes only)**

*[Need to include details of where past and future performance and volatility of the index formula can be obtained.]*

*[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]*

*[Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

*(N.B. This paragraph 6 only applies if the Notes are derivative securities to which Annex XII to the Prospectus Directive Regulation applies.)*

**7. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes only)**

*[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

*(N.B. This paragraph only applies if the Notes are derivative securities to which Annex XII to the Prospectus Directive Regulation applies.)*

## 8 OPERATIONAL INFORMATION

- |       |  |   |
|-------|--|---|
| (i)   | ISIN Code:   | [I]   |
| (ii)  | Common Code:   | [I]   |
| (iii) | Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s): | [Not Applicable/ <i>give name(s) and number(s) [and addresses]</i> ]  |
| (iv)  | Delivery:  | Delivery [against/free of] payment  |
| (v)   | Names and addresses of additional Paying Agent(s) (if any):  | [I]   |
| (vi)  | Intended to be held in a manner which would allow Eurosystem eligibility:  | [Yes][No]<br><br>[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 which are held under the NSS</i> ]] 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 satisfaction of the Eurosystem eligibility criteria.][ <i>include this text if “yes” selected in which case the Bearer Notes must be issued in NGN form and Registered Notes must be held under the NSS</i> ]. |

## 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 in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. 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 23 March, 2011 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, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement, as most recently amended and restated on 23 March, 2011 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. Definitive Bearer Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, 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 and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. 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), the holders of the Receipts (the "**Receiptholders**") 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 [●] 2011 at 14th 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 are available for viewing at and copies may be obtained from Close Brothers Finance plc, 10 Crown Place, London EC2A 4FT, or at Citibank N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, or at Citigroup Global Markets Deutschland AG, Reuterweg 16, D-60323 Frankfurt am Main, save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders 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 Specified Currency and the Specified Denomination(s) provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a Prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes). 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, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

This Note may be a Senior Note, a Dated Subordinated Note or an Undated Subordinated Note, as indicated 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, Receipts 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, Receipt 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 SA/NV ("**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 the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee.

## **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 Senior Notes, the Guarantees and Subordination

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

If the Notes are specified as Senior Notes in the applicable Final Terms, the Senior Notes and the relative Receipts and Coupons are direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge (Senior Notes only)*)) 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 Senior Guarantee**

The payment of the principal and interest in respect of the Senior 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 "**Senior Guarantee**"). The obligations of the Parent Guarantor under the Senior Guarantee constitute direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge (Senior Notes only)*)) 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.

#### (c) **Status and Subordination of Subordinated Notes**

(i) If the Notes are specified as Dated Subordinated Notes in the applicable Final Terms, the Dated Subordinated Notes and the relative Receipts and Coupons are unsecured obligations of the Issuer subordinated in a winding-up of the Issuer as described below and rank and will rank (A) *pari passu* without any preference among themselves, (B) *pari passu* with obligations of the Issuer in respect of claims (if any) which rank or are expressed to rank *pari passu* with the Dated Subordinated Notes and (C) junior in point of subordination to the obligations of the Issuer in respect of its Senior Creditors. The rights of the holders of Dated Subordinated Notes (and any rights in respect of the relative Receipts and Coupons) will, in the event of the winding-up of the Issuer, be subordinated in right of payment in the manner provided in the Trust Deed to the claims of its Senior Creditors.

(ii) If the Notes are specified as Undated Subordinated Notes in the applicable Final Terms, the Undated Subordinated Notes and the relative Coupons (if any) are unsecured obligations of the Issuer and rank and will rank (A) *pari passu* without any preference among themselves and (B) *pari passu* with obligations of the Issuer in respect of claims (if any) which rank or are expressed to rank *pari passu* with



the Undated Subordinated Notes and (C) junior in point of subordination to the obligations of the Issuer in respect of its Senior Creditors. The rights of the holders of Undated Subordinated Notes (and any rights in respect of the relative Coupons) will, in the event of the winding-up of the Issuer, be subordinated in right of payment in the manner provided in the Trust Deed to the claims of its Senior Creditors.

In the case of Undated Subordinated Notes, payments of principal and interest in respect of the Undated Subordinated Notes are conditional upon the Issuer being solvent at the time of payment by the Issuer, and no such principal or interest shall be payable unless and until and except to the extent that the Issuer could make such payment in whole or in part and still be solvent immediately thereafter. For the purposes of this Condition 3, the Issuer shall be deemed to be solvent if (i) to the extent that any determination as to solvency falls to be made prior to the commencement of winding-up of the Issuer, it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities (other than its Liabilities to persons who are not its Senior Creditors). A report as to the solvency of the Issuer by two Authorised Signatories (as defined in the Trust Deed) or, in certain circumstances as provided in the Trust Deed, the auditors of the Issuer or, if the Issuer is in winding-up, its liquidator, shall, in the absence of manifest error be treated and accepted by the Issuer, the Trustee, the Noteholders, the Receiptholders and the Couponholders as correct and sufficient evidence thereof.

In the case of Undated Subordinated Notes, if at any time an order is made or an effective resolution is passed for the winding-up in England of the Issuer (except in any such case a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business (as defined in the Trust Deed), the terms of which reconstruction or amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders and (ii) do not provide that the Undated Subordinated Notes shall thereby become payable), there shall be payable on each Undated Subordinated Note (in lieu of any other payment, but subject as provided in this Condition), such amount, if any, as would have been payable to the holder thereof if, on the date prior to the commencement of the winding-up and thereafter, such Noteholder were the holder of a preference share in the capital of the Issuer having a preferential right to a return of assets in the winding-up over the holders of all issued shares for the time being in the capital of the Issuer on the assumption that such preference share was entitled to receive on a return of assets in such winding-up an amount equal to the principal amount of such Undated Subordinated Note together with Arrears of Interest (as defined in Condition 5 (*Interest*)), if any, and any interest (other than Arrears of Interest) which has accrued up to, but excluding, the date of repayment (as provided in the Trust Deed) in respect thereof.

*N.B. The obligations of the Issuer in respect of the Undated Subordinated Notes and the related Coupons are conditional upon the Issuer being solvent for the purpose of this Condition 3(c) immediately before and after payment by the Issuer. If this Condition 3(c) is not satisfied, any amounts which might otherwise have been allocated in or towards payment of principal and interest in respect of the Undated Subordinated Notes may be used to absorb the losses of the Issuer, whilst enabling the Issuer to continue its business, and any such amounts shall not be deemed to be due for the purposes of Condition 10.*

- (iii) Subject to applicable law, no Noteholder, Receiptholder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer or the Parent Guarantor, as the case may be, arising under or in connection with the Subordinated Notes, the Receipts or the Coupons and each Noteholder, Receiptholder and Couponholder shall, by virtue of being the holder of any Subordinated Note, Receipt or Coupon (as the case may be), be deemed to have waived all such rights of set-off, compensation or retention, in each case both before and during any winding-up, liquidation or administration of the Issuer or the Parent Guarantor, as the case may be. Notwithstanding the provisions of the foregoing sentence, if any of the said rights and claims of any Noteholder, Receiptholder or Couponholder against the Issuer or the Parent Guarantor, as the case may be, is discharged by set-off, such Noteholder, Receiptholder or Couponholder will immediately pay an amount equal to the amount of such discharge to the Issuer or the Parent Guarantor, as the case may be, or, in the event of winding-up of the Issuer or the Parent Guarantor, the liquidator of the Issuer or the Parent Guarantor, as the case may be, and accordingly such discharge will be deemed not to have taken place.

(d) ***Dated Subordinated Notes: Deferral of Payments***

In the case of Dated Subordinated Notes in relation to which this Condition 3(d) is specified in the applicable Final Terms as applying (Upper Tier 3 Capital), the Issuer shall be entitled, by notice in writing to the Trustee (a “**Deferral Notice**”), to defer the due date for payment of any principal or interest in respect of such Notes, and, accordingly, on the giving of such notice the due date for payment of any such principal or interest (the “**Deferred Payment**”) shall be so deferred and the Issuer shall not be obliged to make payment thereof on the date the same would otherwise have become due and payable, and such deferral of payment shall not constitute a default by the Issuer for any purpose. The Issuer (i) shall give a Deferral Notice in circumstances where the Issuer’s Capital Resources would be less than its Capital Resources Requirement after payment of any such principal or interest in whole or in part; or (ii) may give a Deferral Notice where the FSA has required or requested the Issuer to defer payment of the relevant payment of such principal and/or interest. Interest will accrue on Deferred Payments in accordance with the provisions of these Terms and Conditions and the Trust Deed, save that such interest shall only become due and payable at such time as the Deferred Payment in respect of which it has

accrued becomes due and payable under the following sentence. Where the Issuer's Capital Resources would not be less than its Capital Resources Requirement after payment of any Deferred Payment or part thereof, the Issuer shall give to the Trustee written notice thereof (a "**Payment Notice**") and the relevant Deferred Payment (or the appropriate part of it) and any accrued interest as aforesaid shall become due and payable on the seventh day after the date of such Payment Notice. In addition, all Deferred Payments (or remaining part of any Deferred Payment part only of which has been made as aforesaid) which remain unpaid shall become due and payable in full on the commencement (as defined in the Trust Deed) of a winding up of the Issuer. Where more than one Deferred Payment (or remaining part thereof) remains unpaid, payment of part thereof shall be made *pro rata* according to the amounts of such Deferred Payments remaining unpaid and of any accrued interest as aforesaid remaining unpaid. The Issuer shall promptly give notice to the holders of the relevant Series of Notes in accordance with Condition 14 (*Notices*) of any Deferral Notice or Payment Notice.

*N.B. In the case of Notes which constitute Upper Tier 3 Capital, the FSA requires to be notified by the Parent Guarantor if its Capital Resources fall below 120 per cent. of its Capital Resources Requirement.*

(e) **Definitions**

In these Terms and Conditions:

**"Assets"** means the unconsolidated gross assets of the Issuer or, if applicable, the Parent Guarantor, all as shown in the latest published audited balance sheet of the Issuer or, if applicable, the Parent Guarantor, but adjusted for contingent assets and for all subsequent events, all in such manner as the directors, the auditors of the Issuer or, if applicable, the Parent Guarantor or the liquidator (as the case may be) may determine;

**"Capital Resources"** has the meaning ascribed to it in Section 2.2 of the FSA's "General Prudential Sourcebook" ("**GENPRU**"), as amended and supplemented from time to time, or any successor publication replacing the GENPRU;

**"Capital Resources Requirement"** means the base capital resources requirement as defined in Section 2.1.45 of the GENPRU together with the base capital resources requirement as defined in Section 2.1.48 of the GENPRU;

**"FSA"** means the Financial Services Authority of the United Kingdom (including any successor organisation responsible for the supervision of banks' regulatory functions in the United Kingdom);

**"Guarantees"** means the Senior Guarantee, the Dated Subordinated Guarantee and the Undated Subordinated Guarantee;

**"Liabilities"** means the unconsolidated gross liabilities of the Issuer or, if applicable, the Parent Guarantor, all as shown in the latest published audited

balance sheets of the Issuer or, if applicable, the Parent Guarantor, but adjusted for contingent liabilities and for subsequent events, all in such manner as the directors, the auditors of the Issuer or, if applicable, the Parent Guarantor or the liquidator (as the case may be) may determine;

**“Preferred Securities”** means any securities issued by the Parent Guarantor from time to time, or in respect of which the Parent Guarantor has assumed any obligations, and which, in each case, are expressed to be or are deemed at any time by the FSA to be or to be capable of being, Tier 1 Capital of the Parent Guarantor;

**“Senior Creditors”** means (i) in respect of Dated Subordinated Notes, all depositors and other creditors of the Issuer or, if applicable, the Parent Guarantor other than (a) creditors (if any) whose claims rank or are expressed to rank *pari passu* (whether only in the event of a winding-up of the Issuer or, if applicable, the Parent Guarantor or otherwise) with or junior to the claims of the Noteholders and (b) creditors with whose claims the Notes rank or are expressed to rank *pari passu* (whether only in the event of a winding-up of the Issuer or, if applicable, the Parent Guarantor or otherwise); and (ii) in respect of Undated Subordinated Notes, all creditors of the Issuer or, if applicable, the Parent Guarantor (a) who are unsubordinated depositors or other unsubordinated creditors of the Issuer or, if applicable, the Parent Guarantor; or (b) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up of the Issuer or, if applicable, the Parent Guarantor or otherwise) to the claims of unsubordinated depositors and other unsubordinated creditors of the Issuer or, if applicable, the Parent Guarantor but not further or otherwise, or (c) who are subordinated creditors of the Issuer or, if applicable, the Parent Guarantor other than those whose claims are, or are expressed to rank, *pari passu* with, or junior to, the claims of the holders of the Undated Subordinated Notes;

**“Tier 1 Capital”, “Lower Tier 2 Capital”, “Upper Tier 2 Capital”** (Lower Tier 2 Capital together with Upper Tier 2 Capital, **“Tier 2 Capital”**) and **“Upper Tier 3 Capital”** each have the meaning ascribed to them in the GENPRU; and

**“United Kingdom”** means the United Kingdom of Great Britain and Northern Ireland.

(f) ***Status of the Subordinated Guarantees***

- (i) The payment of principal and interest in respect of the Dated Subordinated Notes and all other moneys payable by the Issuer in relation to the Dated Subordinated Notes (except as provided in clause 8.12 of the Trust Deed in respect of any payment to the Trustee) under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Parent Guarantor in the Trust Deed (the **“Dated Subordinated Guarantee”**).

The payment obligations of the Parent Guarantor under the Dated Subordinated Guarantee are unsecured obligations of the Parent Guarantor, subordinated in

right of payment in a winding-up of the Parent Guarantor as described in the Trust Deed, and rank and will rank (i) *pari passu* with its obligations in respect of claims (if any) which rank or are expressed to rank *pari passu* with its obligations under the Dated Subordinated Guarantee, (ii) senior in point of subordination to the obligations of the Parent Guarantor in respect of Undated Subordinated Notes and its Preferred Securities and (iii) junior in point of subordination to the obligations of the Parent Guarantor in respect of its Senior Creditors.

- (ii) The payment of principal and interest in respect of the Undated Subordinated Notes and all other moneys payable by the Issuer in relation to the Undated Subordinated Notes (except as provided in clause 8.12 of the Trust Deed in respect of any payment to the Trustee) under or pursuant to the Trust Deed has been guaranteed by the Parent Guarantor in the Trust Deed (the “**Undated Subordinated Guarantee**”).

The payment obligations of the Parent Guarantor under the Undated Subordinated Guarantee are unsecured obligations of the Parent Guarantor, subordinated on a winding up of the Parent Guarantor as described in the Trust Deed and rank and will rank (i) *pari passu* with its obligations in respect of claims (if any) which rank or are expressed to rank *pari passu* with its obligations under the Undated Subordinated Guarantee, (ii) senior in point of subordination to the obligations of the Parent Guarantor in respect of its Preferred Securities and (iii) junior in point of subordination to the obligations of the Parent Guarantor in respect of its Senior Creditors.

For the purpose of the obligations of the Parent Guarantor under the Undated Subordinated Guarantee, payments of principal and interest in respect of the Undated Subordinated Notes shall be deemed to be due and payable in full by the Issuer notwithstanding that, as a result of Condition 3(c)(ii), they are not in fact so due and payable.

#### 4. **Negative Pledges (Senior Notes Only)**

So long as any of the Senior 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 Senior 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 up to (and including) the Maturity 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. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

In these Terms and Conditions, **“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.

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, if they are Partly Paid Notes, the aggregate amount paid up); 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.

**“Day Count Fraction”** means, in respect of the calculation of an amount of interest, in accordance with this Condition 5(a):

- (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); 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 and Index Linked Interest Notes***

(i) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest 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 (which expression shall, in these Terms and Conditions, mean 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 any 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 and Index Linked Interest 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 either (i) if the applicable Floating Rate Option is based on the London interbank offered rate ("**LIBOR**") or on the Euro-zone inter-bank offered rate ("**EURIBOR**"), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this 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 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.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(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, and the Calculation Agent, in the case of Index Linked Interest 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. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

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

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest 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 or an Index Linked Interest 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.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 5(b):

- (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 or the relevant Calculation 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 or Index Linked Interest 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 or Index Linked Interest 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 or, as the case may be, the Calculation 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 or the Calculation Agent, as applicable.

(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 Calculation 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 Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Parent Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent, or the Calculation Agent (if applicable) or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) ***Interest on Dual Currency Interest Notes***

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

(d) ***Interest on Partly Paid Notes***

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) ***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.

(f) ***Interest on Undated Subordinated Notes***

(i) In the case of Undated Subordinated Notes, interest payments (excluding Arrears of Interest) on the Notes shall (subject to the

provisions of Condition 3 (*Status of the Senior Notes, the Guarantees and Subordination*)) be payable on each Undated Subordinated Interest Payment Date (as defined below) in respect of the Interest Accrual Period (as defined below) ending on the day immediately preceding such date. Any interest not paid on an Interest Date (as defined below) together with any other interest not paid on any other Interest Date shall, so long as the same remains unpaid, constitute "Arrears of Interest". Arrears of Interest may, at the option of the Issuer (subject to the provisions of Condition 3 (*Status of the Senior Notes, the Guarantees and Subordination*))), be paid in whole or in part at any time upon the expiration of not less than fourteen days' notice to such effect given to the Trustee and to the Noteholders in accordance with Condition 14 (*Notices*), but all Arrears of Interest on all Undated Subordinated Notes outstanding shall (subject only to the provisions of Condition 3(c)) become due in full on whichever is the earliest of (A) the date set for any redemption pursuant to the provisions of Condition 7(b) or (c); or (B) the commencement of the winding-up in England of the Issuer or the Parent Guarantor.

Notwithstanding the foregoing, if notice is given by the Issuer of its intention to pay the whole or any part of Arrears of Interest in respect of the Undated Subordinated Notes, the Issuer shall be obliged (subject to the provisions of Condition 3 (*Status of the Senior Notes, the Guarantees and Subordination*))) to do so upon the expiration of such notice. Where Arrears of Interest are paid in part, each part payment shall be applied in payment of the Arrears of Interest accrued due in respect of the relative Interest Date (or consecutive Interest Dates) furthest from the date of payment. Arrears of Interest shall not themselves bear interest.

- (ii) In these Terms and Conditions, the following expressions have the following meanings:

**"Undated Subordinated Interest Payment Date"** means any Interest Date other than an Interest Date in respect of which the Issuer has given not less than 30 days' notice to Noteholders in accordance with Condition 14 (*Notices*) that it has opted to defer the interest which would otherwise be due on that date;

**"Interest Accrual Period"** means the period from (and including) the Interest Commencement Date up to (but excluding) the first Interest Date or, as the case may be, the period from (and including) one Interest Date up to (but excluding) the next Interest Date; and

**"Interest Date"** means any date on which interest is, or (but for this paragraph (f)) would be, payable pursuant to this Condition 5.

## 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 any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*).

### (b) **Presentation of definitive Bearer Notes, Receipts 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)).

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will 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 the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or 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, Dual Currency Note, Index Linked 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.

In relation to any Undated Subordinated Note in definitive bearer form, if any payment is to be made in respect of interest the Interest Date for which falls on or after the date on which the winding-up in England of the Issuer is deemed to have commenced, such payment shall be made only against presentation of the relevant Note and the Coupon for any such Interest Date shall be void. In addition, any Undated Subordinated Note in definitive bearer form presented for payment after an order is made or an effective resolution is passed for the winding-up in England of the Issuer or the Parent Guarantor must be presented together with all Coupons in respect of Arrears of Interest relating to Interest Dates falling prior to such commencement of the winding-up of the Issuer, failing which there shall be withheld from any payment otherwise due to the holder of such Undated Subordinated Note such proportion thereof as the Arrears of Interest due in respect of any such missing Coupon bears to the total of the principal amount of the relevant Undated Subordinated Note, all Arrears of Interest in respect thereof and interest (other than Arrears of Interest) accrued on such Undated Subordinated Note in

respect of the Interest Accrual Period current at the date of the commencement of the winding-up.

(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 (other than instalments of principal prior to the final instalment) 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 and payments of instalments of principal (other than the final instalment) 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 or an instalment of principal (other than the final instalment) 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) and instalments of principal (other than the final instalment) 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 and the final instalment of principal 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, Receipt 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;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (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*) and any Arrears of Interest (if applicable).

**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 and, in respect of Subordinated Notes (save, in the case of Dated Subordinated Notes, for final redemption in accordance with Condition 7(a) and further save as provided in Condition 7(b)), notice having been given to the FSA, and the FSA not having objected to, such redemption or purchase and, in the case of Undated Subordinated Notes, to a requirement that no such redemption may take place before the fifth anniversary of the issue of such Notes.

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

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) which is not an Undated Subordinated 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. If this Note is an Undated Subordinated Note, it has no final maturity and is only redeemable in accordance with the following provisions of this Condition 7 or Condition 10 (*Events of Default*).

(b) **Redemption for tax reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice 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) either (x) 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 or (y) (in the case of Undated Subordinated Notes only) on the next Interest Date the payment of interest in respect of the Notes would be treated as a "distribution" within the meaning of the Corporation Tax Act 2010 for the time being of the United Kingdom and (where redemption is to occur prior to the fifth anniversary of the Issue Date, or such other date as the FSA may from time to time require, and subject as set out below) such treatment has arisen as a result of any change in, or amendment to, the laws or regulations of the United Kingdom 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 referred to in (x) above or treatment referred to in (y) above, as the case may be, cannot be avoided by the Issuer or, as the case may be, the Parent Guarantor taking reasonable measures available to it,

PROVIDED that (1) 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 and (2) subject as set out below, in the case of any redemption of Subordinated Notes pursuant to (x) or (y) above prior to the fifth anniversary of the Issue Date, or such other date as the FSA may from time to time require, any such redemption shall be subject to the prior consent of the FSA (for so long as such consent is required).

Notwithstanding the foregoing, in the case of Dated Subordinated Notes which are specified in the applicable Final Terms as Upper Tier 3 Capital, references in this Condition 7(b) to the “fifth anniversary of the Issue Date” shall be replaced with references to the “second anniversary of the Issue Date”.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Authorised 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 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, the Receiptholders 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 and, in the case of Undated Subordinated Notes, all Arrears of Interest (if any) as provided in Condition 5(f), but subject to Condition 3 (*Status of the Senior Notes, the Guarantees and Subordination*).

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

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having (unless otherwise specified in the applicable Final Terms) given not less than 10 nor more than 20 days' notice 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), 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) as specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date(s) and, in the case of Undated Subordinated Notes, all Arrears of Interest (if any) as provided in Condition 5(f). Upon expiry of such notice the Issuer shall be bound, subject to Condition 3 (*Status of the Senior Notes, the Guarantees and Subordination*) in the case of Undated Subordinated Notes, to redeem the Notes accordingly. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or 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.

*N.B. In the case of any redemption of Subordinated Notes (save, in the case of Dated Subordinated Notes, for final redemption on the relevant Maturity Date in accordance with Condition 7(a)) which constitute Tier 2 Capital, the FSA requires to be notified by the Parent Guarantor one month before the date of proposed repayment providing details of how it will meet its Capital Resources Requirement after such repayment.*

(d) **Redemption at the option of the Noteholders other than holders of Undated Subordinated Notes (Investor Put)**

If this Note is a Senior Note or a Dated Subordinated Note and Investor Put is specified in the applicable Final Terms, then, if and to the extent specified in the applicable Final Terms, upon the holder of this Senior Note or this Dated Subordinated Note, as the case may be, giving to the Issuer, in accordance with Condition 14 (*Notices*), not less than 15 nor more than 30 days' notice (or such other notice period as is 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 Senior Note or such Dated Subordinated Note, as the case may be, on the Optional Redemption Date and at the relevant Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Final Terms, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

If this Senior Note or this Dated Subordinated Note, as the case may be, is in definitive form, to exercise the right to require redemption of this Senior Note or this Dated Subordinated Note, as the case may be, the holder of this Senior Note or this Dated Subordinated Note, as the case may be, must deliver such Senior Note or such Dated Subordinated Note, as the case may be, 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

Senior Note or this Dated Subordinated Note, as the case may be, is represented by a Global Note and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Senior Note or this Dated Subordinated Note, as the case may be, the holder of this Senior Note or this Dated Subordinated Note, as the case may be, 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 Senior Note or this Dated Subordinated Note, as the case may be, 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 Senior Note or any Subordinated 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 Senior Notes or Dated Subordinated 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.

N.B. Notes which constitute Lower Tier 2 Capital and Upper Tier 3 Capital may be redeemed on notice from the holders thereof provided that the period of notice of repayment required to be given by the holder is five years or more, in the case of Lower Tier 2 Capital, and two years or more, in the case of Upper Tier 3 Capital.

(e) ***Early Redemption Amounts***

For the purpose of paragraph (b) above and Condition 10(a) (*Events of Default – Senior Notes*) (if this Note is not a Subordinated Note) or Condition 10(b) (*Events of Default – Subordinated Notes*) (if this Note is a Subordinated Note), 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 but including an Instalment Note and a Partly Paid 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, or determined in the manner specified in, the applicable

Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at 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 a fraction the numerator of which is 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 of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

(f) ***Instalments***

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) ***Partly Paid Notes***

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

(h) ***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 Receipts, Coupons and Talons appertaining thereto are purchased therewith) in any manner or at any price.

(h) ***Cancellation***

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled (together with all unmatured Receipts, 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.

(i) ***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, Receipts 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, Receipts 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, Receipts 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, Receipt 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, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt 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; or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment by or on behalf of a holder who is able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

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), Receipts 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) Senior Notes

*This Condition 10(a) only applies to Senior Notes.*

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 Senior 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 Senior 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 Senior 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 Senior Notes or the Trust Deed (other than any obligation for the payment of any principal or interest in respect of the Senior 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 Senior 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) **Subordinated Notes**

This Condition 10(b) only applies to Subordinated Notes.

- (i) If default is made in the payment of any principal in respect of the Subordinated Notes for a period of 14 days or more after the due date for the same, or in the payment of any interest for a period of 14 days or more after an Interest Payment Date (or, in the case of Undated Subordinated Notes, an Undated Subordinated Interest Payment Date) or any other date on which any payment of interest is due (each an “**Event of Default**”), the Trustee may, subject as provided in Condition 10 (c)(i)(a) and (b), at its discretion and without further notice, institute proceedings for the winding-up of the Issuer or the Parent Guarantor in England (but not elsewhere) and/or prove in any winding-up of the Issuer and/or the Parent Guarantor (as the case may be) (whether in England or elsewhere), but may take no other action in respect of such default.
- (ii) The Trustee may, subject as provided in Condition 10(c)(i)(a) and (b), institute such proceedings against the Issuer and/or the Parent Guarantor as it may think fit to enforce any obligation, condition or provision binding on the Issuer or on the Parent Guarantor under the Trust Deed or the Subordinated Notes (other than any obligation for payment of any principal or interest in respect of the Subordinated Notes or under the Guarantees in respect of the same) provided that neither the Issuer nor the Parent Guarantor shall by virtue of any such proceedings (save for any proceedings for the winding-up of the Issuer or the Parent Guarantor) be obliged to pay (i) any sum or sums representing or measured by reference to principal or interest in respect of the Subordinated Notes sooner than the same would otherwise have been payable by it or (ii) any damages (save in respect of the Trustee's fees and expenses incurred by it in its personal capacity).
- (iii) In the event of the commencement of the winding-up of the Issuer and/or the Parent Guarantor (except in any such case a winding-up for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer and/or the Parent Guarantor of a successor in business the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders) (also an “**Event 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 (as defined in the Trust Deed) or so directed by an Extraordinary Resolution of the Noteholders shall, (subject to it first being indemnified and/or secured to its satisfaction), (i) give notice to the Issuer that the Subordinated Notes are immediately due and repayable (and the Notes shall thereby become so due and repayable), subject to Condition 3 (*Status of the Senior Notes, the Guarantees and Subordination*), at their principal amount together with accrued interest as provided in the Trust Deed and/or (ii) prove in the winding-up of the Issuer or the Parent Guarantor.

The Issuer has undertaken in the Trust Deed forthwith to give notice in writing to the Trustee of the occurrence of any Event of Default referred to in (a) or (b)(i) and (b)(iii) above.

The restriction in Condition 10(b)(ii) on the payment of damages has the effect of limiting the remedies available to the Trustee and the Noteholders in the event of a breach of certain covenants (other than payment covenants) by the Issuer or the Parent Guarantor.

(c) ***Enforcement***

- (i) Without prejudice to Condition 10(b), 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, the Receipts 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, the Receipts 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, Receiptholder 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.
- (iii) In the case of Subordinated Notes, no remedy against the Issuer or the Parent Guarantor, other than as referred to in this Condition 10, shall be available to the Trustee or the Noteholders, whether for the recovery of amounts owing in respect of the Subordinated Notes or under the Trust Deed or under the Dated Subordinated Guarantee or the Undated Subordinated Guarantee or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Subordinated Notes or under the Trust Deed or in respect of any breach by the Parent Guarantor of any of its obligations under the Trust Deed.

(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, Receipts, Coupons and Talons**

Should any Note, Receipt, 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, Receipts 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, Receipts, 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.

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;
- (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);
- (c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

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). Any variation, termination, appointment or change shall only take effect (other than in the case of

insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 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, Receiptholders 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. Receiptholders and 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 the second day after the day on which the said notice was given to Euroclear and/or 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 Receipts, 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, the Receipts 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, the Receipts or the Coupons or (in the case of Subordinated Notes) modifying the provisions regarding subordination), 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 Receiptholders and 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, Receiptholders or Couponholders, to any modification of, 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, the Receiptholders 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, Receiptholders 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, Receiptholders 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, Receiptholder 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, Receiptholders 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 Receipts, 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, Receiptholders 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, the Receiptholders 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, the Receipts 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. If, in respect of any particular issue of Notes which are derivative securities for the purpose of Article 15 of the Prospective Directive Regulation, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## CLOSE BROTHERS FINANCE PLC

Close Brothers Finance Plc (the “**Issuer**”) is a finance vehicle and a subsidiary of the Group (as defined below). It was incorporated under the Companies Act 1985 on 14 November, 2001 in England and Wales as a company with limited liability under Registered Number 4322721 and 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.

### **Directors**

The Directors of the Issuer and their respective business addresses and occupations are:

<u>Directors</u>	<u>Business Occupation within Close Brothers Limited</u>	<u>External Directorships</u>
S R Hodges	Chief Executive Officer	None
M P Hook	Director and Treasurer	None

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 business address of each of the above is 10 Crown Place, London EC2A 4FT.

The Company Secretary is E A Lee.

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

The Issuer is a finance vehicle to be used as Issuer of the Notes. Its principal objects are set out, in full, in paragraph 4 of its Memorandum of Association, and include participating in financial arrangements and transactions and acting as Issuer of the Notes. A copy of the Issuer's Memorandum of Association will be available for inspection as described under “**General Information**” below.

## CLOSE BROTHERS LIMITED

Close Brothers Limited (“**CBL**” or the “**Parent Guarantor**”) was incorporated on 9 February 1924 under the Companies Acts 1908 to 1917 in England and Wales as a company with limited liability under Registered Number 195626. CBL is a bank and is authorised to accept deposits under the Financial Services and Markets Act 2000. CBL is supervised and regulated by the Financial Services Authority and is the parent company of a group providing a range of banking services (CBL and its Subsidiaries (as defined in Condition 4 (*Negative Pledge (Senior Notes only)*)) together constitute the “**Group**”). CBL is a wholly-owned subsidiary of Close Brothers Group plc, which is the parent company of a diversified group of specialist financial services businesses (the “**CBG Group**”), with a long and successful track record, employing some 2,500 people.

<u>Directors</u>	<u>Business Occupation within Close Brothers Limited</u>	<u>External Directorships</u>
P Prebensen	Chairman	None
S R Hodges	Chief Executive Officer	None
R C Golden	Director	None
J A G Howell	Director	None
S P Bishop	Director	None
M P Hook	Director	None
M McNamara	Director	None
F D Pennal	Director	None
M B Morgan	Director	None
Registered Office	10 Crown Place, London EC2A 4FT, telephone number (44) 20 7655 3100	

The business address of each of the Directors 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 is E A Lee.

## Business Operations

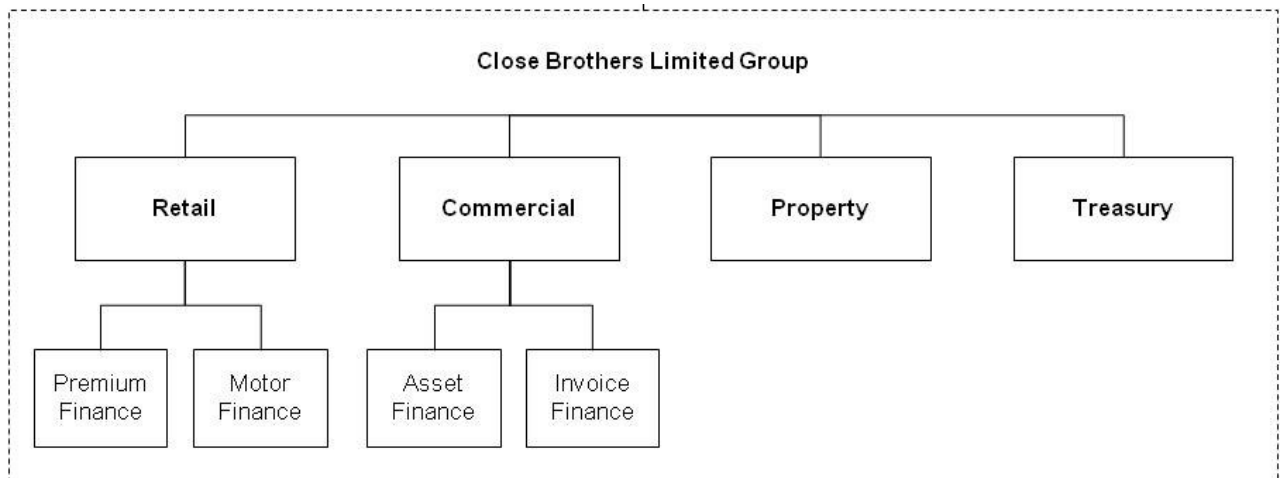
The Group is comprised of a number of specialist businesses focused on secured lending to small and medium sized enterprises (“**SMEs**”), professionals and consumers across a wide range of asset classes, mainly in the UK but also in Ireland, the Channel Islands, Germany and Spain. This also includes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

The main source of income for the Group is net interest and fees on the loan book. This is supplemented by income from Treasury and non-lending activities.

The Group strategy is to provide a range of specialist banking services adding value for its clients as a result of its particular expertise. The Group is dedicated to developing continuity in relationships with clients through excellent service, objective advice and uncompromising professionalism.

The Group is organised into four business units: (i) Retail, (ii) Commercial, (iii) Property and (iv) Treasury, which together employ over 1,500 people.

The following diagram provides an overview of the operating structure of the Group:



A description of the four business units of the Group is set out below:

### *Retail*

The Retail business unit includes the premium finance and motor finance businesses as well as the Group's lending operations in the Channel Islands. The Retail business unit had a net loan book of £1,202 million as at 31 July 2010.

The premium finance business finances the insurance payments of UK companies and individuals, via a network of over 3,000 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 2010, the premium finance business had a loan book of £554 million and relationships with over 200,000 SMEs and 1.3 million individuals.

The motor finance business provides asset finance for the acquisition of cars, motorbikes and light commercial vehicles, operating through 12 branches spread across the UK, servicing a network of 5,800 motor dealers. As at 31 July 2010, the motor finance business had a loan book of £565 million.

The Retail business unit also provides personal and secured lending services to residents and local corporates in the Channel Islands. The business had a loan book of £83 million as at 31 July 2010.

#### *Commercial*

The Commercial business unit incorporates both the asset finance and invoice finance operations, which had a combined loan book of £1,163 million as at 31 July 2010. These businesses operate through two different channels, selling direct through specialist sales teams and also via intermediary brokers. The Commercial business unit had relationships with over 17,000 SMEs as at 31 July 2010.

The asset finance business provides commercial asset financing across the transport and engineering sector, including financing of commercial vehicles, machine tools, contractors' plant, printing equipment, aircraft and medical equipment. The asset finance business had a loan book of £901 million as at 31 July 2010.

The invoice finance business provides debt factoring and invoice discounting to the small and medium enterprise sector in the UK and Germany. The invoice finance business had a loan book of £262 million as at 31 July 2010. On 4 January 2010, the business acquired the invoice financing loan book of GMAC Commercial Finance Limited (UK) with a loan book which totalled £94 million, which has been integrated into the existing business.

#### *Property*

The Property business unit specialises in short-term residential development finance and bridging finance across the UK. As at 31 July 2010 the loan book was £548 million and the business had relationships with over 500 property developers.

#### *Treasury*

The Treasury business unit provides funding for the Group's lending activities. The Group remains soundly funded with access to total funding of £5.1 billion as at 31 July 2010, with a further £0.2 billion of undrawn facilities funding the loan book of £2.9 billion. Since the banking crisis of late 2008, the group has diversified its sources of funding and currently utilises the following:

- shareholder funds;
- wholesale facilities;
- term retail deposits; and
- short dated customer deposits.



The Group has diversified its sources of funding by raising longer term retail deposits, and utilising repurchase and securitisation agreements. This has enabled the Group to meet existing funding requirements and to be well positioned for growth.

In addition, the Treasury business unit provides deposit taking and foreign exchange services in the SME and retail markets.

The Group also provides credit management and debt collection services in the UK, and currently provides offshore banking services in Guernsey, the Isle of Man and the Cayman Islands predominantly for the Asset Management clients of the CBG Group. Investors are, however, referred to the paragraphs below entitled "Disposal of UK Offshore Trust, Fund Administration, Asset Management and Banking Business" and "Disposal of Cayman Islands Business" and the announcements by Close Brothers Group plc referred to therein.

### **Subsidiaries of Close Brothers Limited**

The following companies are all direct subsidiaries of Close Brothers Limited:

Close Asset Finance Limited  
 Close Brothers Finance plc  
 Close Motor Finance Limited  
 Close Invoice Finance Limited  
 Close Nominees Limited  
 Close Brothers (GBL) Limited  
 Close Property Finance Limited  
 Close Mortgages Limited  
 Close International Bank Holdings Limited  
 Close Premium Finance (Ireland) Limited  
 Close Finance GmbH (93 per cent.)  
 CBM Holdings Limited  
 Close Credit Management (Holdings) Limited  
 Finaholding AG  
 Amber Select Limited  
 Close Premium Finance Limited

### **Acquisition of the Retail Structured Term Deposit Book of Dunbar Bank plc by Close Brothers Group plc**

On 21 February, 2011, Close Brothers Group plc announced the acquisition by CBL of the retail structured term deposit book of Dunbar Bank plc, a member of the Zurich Financial Services Group (the "**Acquisition**"). On completion of the Acquisition, which is to be effected by a scheme requiring the approval of the High Court under Part VII of the Financial Services and Markets Act 2000, Close Brothers Group plc will take on approximately £300 million of deposits. The Acquisition is expected to complete by the end of the current financial year but is subject to the timing of the Court process.

**Disposal of UK Offshore Trust, Fund Administration, Asset Management and Banking Business**

On 10 March, 2011, Close Brothers Group plc announced the sale of the CBG Group's trust, fund administration, asset management and banking business in Jersey, Guernsey and the Isle of Man to Kleinwort Benson Channel Islands Holdings Limited for cash consideration of £29.1 million, subject to adjustment by reference to the net assets position of the business at the time of completion.

**Disposal of Cayman Islands Business**

On 21 March, 2011, Close Brothers Group plc announced the sale of the CBG Group's Cayman Islands trust, fiduciary services, fund administration and banking business to Intertrust Group Holding SA. The transaction values the business at \$US34.0 million (approximately £20.9 million), subject to adjustment by reference to the net asset position of the business at the time of completion.

## TAXATION

### UK Taxation

The following applies only to persons who are the beneficial recipient 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 relating only to United Kingdom withholding tax treatment of payments of principal and 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.

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

Payment of interest on the Notes by the Issuer may be made without deduction of 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 London Stock Exchange's Regulated Market 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 London Stock Exchange's Regulated Market. 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 a scheme or 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 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).

### *1.2 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 a maximum rate of 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.

## *2. Provision of Information*

Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to, or receives interest for the benefit of, a Noteholder. HMRC also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are deeply discounted securities as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 to, or receives such amounts for the benefit of, another person, although in relation to amounts repayable on the redemption of Notes which are deeply discounted securities, published practice indicates that HMRC will not exercise the power to require this information where such amounts are paid on or before 5 April, 2012. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

## *3. EU Savings Directive*

Under EC Council Directive 2003/48/EC (the “**Directive**”) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident or to certain other persons established in that other Member State. However, for a transitional period which commenced on 1 July 2005 and the end of which is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries, Luxembourg, Austria and Belgium are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries) subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or similar income may request that no tax be withheld. A number of non-EU countries and territories have adopted similar measures.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement dated 23 March, 2011 (the "**Programme Agreement**"), 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 and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

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.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the

issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

### **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 (b) to (d) 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 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 Financial Services and Markets Act 2000 (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 the Notes (or any interest therein) may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, at any time, and neither this Prospectus nor any other document in relation to any offering of the Notes (or any interest therein) may be distributed or circulated in the Netherlands, other than to professional market parties (“**PMPs**”) within the meaning of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (which includes, *inter alia*, qualified investors as defined in the Prospectus Directive such as banks, insurance companies, securities firms, collective investment undertakings and pension funds). This restriction does not apply in respect of Notes having a denomination of at least EUR 100,000 (or equivalent).

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 in definitive bearer form and other securities in definitive bearer form on which interest does not become due and payable during their term but only at maturity (savings certificates or *spaarbewijzen* as defined



in the Dutch Savings Certificates Act or *Wet inzake spaarbewijzen*, the “**SCA**”) 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 N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of such securities to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business, and (iii) the issue and trading of such securities if they are physically issued outside the Netherlands and are not immediately thereafter distributed in The Netherlands.

#### *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.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable Final Terms.

## 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 and 23 March, 2011. The giving of the Guarantees 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 and 23 March, 2011.

### Listing of Notes

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's Regulated Market 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 London Stock Exchange's Regulated Market. The listing of the Programme in respect of Notes is expected to be granted on or around 25 March, 2011.

### 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, 2009 and 31 July, 2010 and the audited consolidated annual financial statements of the Parent Guarantor in respect of the financial years ended 31 July, 2009 and 31 July, 2010 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 Receipts, the Coupons and the Talons;

- (e) a copy of this Prospectus;
- (f) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) 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 London Stock Exchange's Regulated Market 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: <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/>.

### **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 SA/NV, 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, 2010 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, 2010.

**Litigation**

Neither the Issuer nor the Parent Guarantor nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Parent Guarantor are aware) in the 12 months preceding the date of this document which may have or have in such period had 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, 2009 and 31 July, 2010, respectively.

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

**THE ISSUER**

**Close Brothers Finance plc**  
10 Crown Place  
London EC2A 4FT

**THE PARENT GUARANTOR**

**Close Brothers Limited**  
10 Crown Place  
London EC2A 4FT

**TRUSTEE**

**Citicorp Trustee Company Limited**  
14th Floor, Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**PRINCIPAL PAYING AGENT**

**Citibank, N.A., London Branch**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**REGISTRAR, PAYING AGENT AND TRANSFER AGENT**

**Citigroup Global Markets Deutschland AG**  
Reuterweg 16  
D-60323 Frankfurt am Main

**LEGAL ADVISERS**

*To the Issuer and the Parent Guarantor as to  
English law*

**Slaughter and May**  
One Bunhill Row  
London EC1Y 8YY

*To the Dealers and the Trustee as to English  
law*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD

**AUDITORS**

*To the Issuer and the Parent Guarantor*

**Deloitte LLP**  
Hill House, 1 Little New Street  
London EC4A 3TR

**DEALERS**

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB

**Danske Bank A/S**  
2-12 Holmens Kanal  
DK-1092 Copenhagen K

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ

**Société Générale**  
29 boulevard Haussmann  
75009 Paris

**The Royal Bank of Scotland plc**  
135 Bishopsgate  
London EC2M 3UR

**UBS Limited**  
1 Finsbury Avenue  
London EC2M 2PP