

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES OR ITS TERRITORIES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON OR TO ANY PERSON OR OTHERWISE THAN TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED

IMPORTANT: You must read the following before continuing. The following applies to the Prospectus (which term shall, in this notice, mean such Prospectus in preliminary or final form) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE NOTES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE NOTES DESCRIBED HEREIN MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the Prospectus or make an investment decision with respect to the Notes described herein, you must not be in the United States or be, or be acting on behalf of, a U.S. person (within the meaning of Regulation S under the Securities Act). The Prospectus is being sent at your request and by accepting the e-mail and accessing the Prospectus, you shall be deemed to have represented to Bupa Finance plc (the "**Issuer**") and each of Barclays Bank PLC and HSBC Bank plc, (together, the "**Joint Lead Managers**") that you are not a U.S. person, your stated electronic mail address to which this e-mail has been delivered is not located in the United States and that you consent to delivery of such Prospectus by electronic transmission.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person.

The materials relating to the issue of the Notes described herein do not constitute, and may not be used in connection with, an offer or solicitation to buy any Notes in any jurisdiction in which such offer or solicitation would be unlawful. If a jurisdiction requires that the issue of the Notes described herein be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of any Joint Lead Manager is a licensed broker or dealer in that jurisdiction, any offer of the Notes described herein shall be deemed to be made by such Joint Lead Manager or such affiliate (as the case may be) on behalf of the Issuer in such jurisdiction.

The Prospectus has been sent to you in electronic format. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers, nor any person who controls them nor any of their respective directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from any Joint Lead Manager.

No action has been or will be taken in any jurisdiction by the Issuer or the Joint Lead Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

The Prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.



Bupa Finance plc

(Incorporated with limited liability in England and Wales with Registered no. 02779134)

£400,000,000

5.000 per cent. Fixed Rate Subordinated Notes due 2026

Issue price: 98.908 per cent.

The £400,000,000 5.000 per cent. Fixed Rate Subordinated Notes due 2026 (the "**Notes**") are issued by Bupa Finance plc (the "**Issuer**") and constituted by a trust deed to be dated on or about 8 December 2016 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and the Trustee (as defined in "*Terms and Conditions of the Notes*" (the "**Conditions**", and references herein to a numbered "**Condition**" shall be construed accordingly).

Application has been made to the UK Financial Conduct Authority (the "**FCA**") in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**" and the "**FSMA**" respectively) for the Notes 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 the Notes to be admitted to trading on the London Stock Exchange's regulated market. 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**"). This document comprises a prospectus for the purpose of Directive 2003/71/EC, as amended (the "**Prospectus Directive**").

The Notes will bear interest from 8 December 2016 (the "**Issue Date**") at the rate of 5.000 per cent. per annum, payable (subject to the following proviso) semi-annually in arrear on 8 June and 8 December in each year commencing on 8 June 2017; provided that the Issuer will be required to defer any payment of interest which is otherwise scheduled to be paid if (i) such payment cannot be made in compliance with the solvency condition described in Condition 2(b) (the "**Solvency Condition**") or (ii) a Regulatory Deficiency Interest Deferral Event has occurred and is continuing, or would occur if such interest payment were made. Any interest so deferred shall, for so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest will not themselves bear interest, and will be payable as provided in Condition 4.

Unless previously redeemed or purchased and cancelled, the Notes will mature on 8 December 2026 (the "**Maturity Date**") and shall, subject to the satisfaction of the Solvency Condition and to no Regulatory Deficiency Redemption Deferral Event (as defined herein) having occurred, be redeemed on the Maturity Date. Prior to any notice of redemption before the Maturity Date or any substitution, variation or purchase of the Notes, the Issuer will be required to have complied with relevant legal or regulatory requirements including on notifications to, or consent or non-objection from, (in each case, if and to the extent required) the Relevant Regulator (as defined herein) and to be in continued compliance with Regulatory Capital Requirements (as defined herein) applicable to it. Subject to that, to the Relevant Rules, to satisfaction of the Solvency Condition and to no Regulatory Deficiency Redemption Deferral Event having occurred, the Notes may be redeemed at the option of the Issuer upon the occurrence of certain specified events relating to taxation or a Capital Disqualification Event (as defined herein) at their principal amount together with any accrued but unpaid interest to (but excluding) the date of redemption and any Arrears of Interest and the Issuer will, in such circumstance, also have the right to substitute the Notes for, or vary the terms of the Notes so that they remain or become, tier 2 compliant securities, as described in "*Terms and Conditions of the Notes - Redemption, Substitution, Variation and Purchase*".

The Notes will be direct, unsecured and subordinated obligations of the Issuer, ranking *pari passu* and without preference amongst themselves, and will, in the event of the winding-up of the Issuer or in the event of an administrator of the Issuer being appointed and giving notice that it intends to declare and distribute a dividend, be subordinated to the claims of all Senior Creditors (as defined herein) of the Issuer.

The Notes will initially be represented by global Notes in new global note ("**NGN**") form, which will be deposited with a common safekeeper for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") on or about the Issue Date. Definitive Notes will be issued only in the limited circumstances described in the permanent global note – see "*Summary of Provisions relating to the Notes while in Global Form*". The denomination of the Notes shall be £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000 each.

An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the section headed "Risk Factors**" in this Prospectus.**

The Notes are expected, on issue, to be rated Baa2 (hyb) and BBB by Moody's Investors Service Ltd. and Fitch Ratings Ltd., respectively. Each of Moody's Investors Service Ltd. and Fitch Ratings Ltd. is established in the European Union and registered under Regulation 1060/2009/EC on credit ratings agencies. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

Joint Lead Managers

BARCLAYS

HSBC

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (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.

Any information contained in this Prospectus which has been sourced from a third party has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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

No person is or has been authorised to give any information or to make any representation other than those contained in or consistent with this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, any of the Joint Lead Managers (as defined in "*Subscription and Sale*" below) or the Trustee. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or that there has been no adverse change in the financial position of the Issuer since the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Joint Lead Managers and the Trustee have not separately verified the information contained in this Prospectus. Neither the Joint Lead Managers nor the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes. None of the Joint Lead Managers 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 in connection with the offering of the Notes or their distribution. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes is intended to constitute, and should not be considered as, a recommendation by any of the Issuer, the Joint Lead Managers or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Joint Lead Managers or the Trustee undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to their attention.

In the ordinary course of business, each of the Joint Lead Managers has engaged and may in the future engage in normal banking or investment banking transactions with the Issuer and its affiliates or any of them.

Neither this Prospectus nor any other information provided by the Issuer in connection with the offering of the Notes constitutes an offer of, or an invitation by or on behalf of, the Issuer or the Joint Lead Managers or the Trustee or any of them to subscribe for, or purchase, any of the Notes (see “*Subscription and Sale*” below). This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the 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 Trustee and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that the 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 Trustee or the Joint Lead Managers or any of them which is intended to permit a public offering of the Notes or the 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 U.S. and the United Kingdom. Persons in receipt of this Prospectus are required by the Issuer, the Trustee and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Prospectus, see “*Subscription and Sale*” below.

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 U.S. or to U.S. persons, as defined in Regulation S under the Securities Act. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see “*Subscription and Sale*”.

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) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

In this Prospectus, unless otherwise specified, all references to “**pounds**”, “**sterling**”, “**£**”, “**p**” or “**pence**” are to the lawful currency of the United Kingdom.

Forward-Looking Statements

This Prospectus and the information incorporated by reference in this Prospectus include certain “forward-looking statements”. Statements that are not historical facts, including statements about the beliefs and expectations of the Issuer, The British United Provident Association Limited and its subsidiaries (the “**Bupa group**”) and their respective directors or management, are forward-looking statements. Words such as “believes”, “anticipates”,

“estimates”, “expects”, “intends”, “plans”, “aims”, “potential”, “will”, “would”, “could”, “considered”, “likely”, “estimate” and variations of these words and similar future or conditional expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur, many of which are beyond the control of the Issuer or the Bupa group and all of which are based on their current beliefs and expectations about future events. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Issuer or the Bupa group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the Issuer and the Bupa group and the environment in which the Issuer and the Bupa group will operate in the future. These forward-looking statements speak only as at the date of this Prospectus.

Except as required by the FCA, the London Stock Exchange, the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules or any other applicable law or regulation, the Issuer expressly disclaims any obligations or undertakings to release publicly any updates or revisions to any forward-looking statements contained in this Prospectus or incorporated by reference into this Prospectus to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

IN CONNECTION WITH THE ISSUE OF THE NOTES, BARCLAYS BANK PLC (THE “STABILISING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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Documents Incorporated by Reference

This Prospectus should be read and construed in conjunction with the audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2014 and 31 December 2015 together, in each case, with the audit report thereon, and with the consolidated half year statements of the Issuer for the six months ended 30 June 2016, all of which have been previously published or are published simultaneously with this Prospectus and which have been approved by the Financial Conduct Authority or filed with it.

The documents referred to above shall be incorporated in, and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

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 part of this Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus prior to the issue date which is capable of affecting the assessment of the Notes, prepare a supplement to this Prospectus. The Issuer has undertaken to the Joint Lead Managers that it will comply with section 87G of the FSMA.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in London. Copies of documents incorporated by reference in this Prospectus are also available for viewing on the website of the Issuer at <https://www.bupa.com/corporate/our-performance/financial-results>.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

Overview of the Principal Features of the Notes

The following overview refers to certain provisions of the terms and conditions of the Notes and the Trust Deed and is qualified by the more detailed information contained elsewhere in this Prospectus. Terms which are defined in "Terms and Conditions of the Notes" below have the same meaning when used in this overview, and references herein to a numbered "Condition" shall refer to the relevant Condition in "Terms and Conditions of the Notes".

Issue	£400,000,000 5.000 per cent. Fixed Rate Subordinated Notes due 2026.
Issuer	Bupa Finance plc.
Trustee	HSBC Corporate Trustee Company (UK) Limited.
Status and Subordination	The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> and without any preference among themselves. The rights and claims of the Noteholders and Couponholders against the Issuer are subordinated in a winding-up of the Issuer in accordance with Condition 2(a) and the provisions of the Trust Deed.
Solvency Condition	Except in a winding-up, all payments in respect of the Notes (including, without limitation, payments of interest, Arrears of Interest and principal) will be conditional upon the Issuer satisfying the solvency condition described in Condition 2(b) (the " Solvency Condition "), and no amount will be payable in respect of the Notes until such time as the same can be paid in compliance with the Solvency Condition.
Interest	The Notes will bear interest from (and including) the Issue Date at the rate of 5.000 per cent. per annum, payable (subject as provided under " <i>Deferral of Interest</i> " below) semi-annually in arrear on each Interest Payment Date.
Interest Payment Dates	8 June and 8 December of each year, starting on 8 June 2017.
Deferral of Interest	The Issuer will be required to defer any payments of interest on the Notes which would otherwise be due on any Interest Payment Date if (i) such payment cannot be made in compliance with the Solvency Condition or (ii) a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if such payment of interest was made on such Interest Payment Date. <p>"Regulatory Deficiency Interest Deferral Event" means any event (including, without limitation, any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, all or part of the Group (which part includes the Issuer and at least one other member of the Group) or any insurance undertaking within the Group to be breached and such</p>

breach is an event) which under the Relevant Rules means that the Issuer must defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes (on the basis that the Notes are intended to qualify as Tier 2 Capital under the Relevant Rules). See “*Terms and Conditions of the Notes — Mandatory Deferral of Interest.*”

Arrears of Interest

Any interest in respect of the Notes not paid on an Interest Payment Date due to the occurrence of a Regulatory Deficiency Interest Deferral Event or due to the operation of the Solvency Condition will, so long as the same remains unpaid, constitute “**Arrears of Interest**”.

Arrears of Interest will be payable, in whole or in part, at any time at the option of the Issuer (subject to the Solvency Condition and provided that a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur upon payment of the same) upon notice to Noteholders, and in any event all Arrears of Interest will (subject, in the case of (i) and (iii) below, to the Solvency Condition) become payable upon the earliest of the following dates:

- (i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date; or
- (ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend; or
- (iii) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer or any of its Subsidiaries pursuant to Condition 5.

No interest will accrue on Arrears of Interest. See “*Terms and Conditions of the Notes – Arrears of Interest.*”

Redemption at Maturity

The Notes will, subject as provided under “*Deferral of Redemption*” below, be redeemed on 8 December 2026.

Deferral of Redemption

The Issuer will be required to defer any scheduled redemption of the Notes (whether at maturity or if it has given notice of early redemption in the circumstances described below under “*Early Redemption at the Option of the Issuer*”) if (i) the Notes cannot be redeemed in compliance with the Solvency Condition or (ii) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were redeemed.

In the event of any deferral of redemption of the Notes, the Notes will become due for redemption only in the circumstances

described in Condition 5(a).

“Regulatory Deficiency Redemption Deferral Event” means any event (including, without limitation, where an Insolvent Insurer winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, all or part of the Group (which part includes the Issuer and at least one other member of the Group) or any insurance undertaking within the Group to be breached and the continuation of such Insolvent Insurer winding-up is, or as the case may be, such breach is an event) which under the Relevant Rules means that the Issuer must defer or suspend repayment or redemption of the Notes (on the basis that the Notes are intended to qualify as Tier 2 Capital under the Relevant Rules).

Early Redemption at the Option of the Issuer

The Issuer may, subject to certain conditions and upon notice to Noteholders, at any time elect to redeem the Notes at their principal amount together with Arrears of Interest (if any) and any other accrued and unpaid interest to (but excluding) the date of redemption, if a Tax Event or Capital Disqualification Event has occurred and is continuing.

A **"Tax Event"** will occur if:

- (i) as a result of a Tax Law Change (as defined in Condition 5(c)(i)), in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts (as defined in Condition 7) on the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it; or
- (ii) as a result of a Tax Law Change (other than an Excluded Change), in respect of the Issuer's obligation to make any payment of interest on the next following Interest Payment Date, (x) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced; or (y) the Issuer would not to any material extent be entitled to have such deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of the Tax Law Change or any similar system or systems having like effect as may from time to time exist), and in each such case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it.

A **"Capital Disqualification Event"** will occur if, as a result of any change to (or change to the interpretation by any court or authority

entitled to do so of) the Relevant Rules the entire principal amount of the Notes is no longer capable of counting as Tier 2 Capital for the purposes of the Issuer or all or part of the Group (which part includes the Issuer and at least one other member of the Group), whether on a solo, group or consolidated basis, except (in either case) where such non qualification is only as a result of any applicable limitation on the amount of such capital. See Conditions 5(b), 5(c) and 5(d).

Substitution and Variation

The Issuer may, subject to certain conditions and upon notice to Noteholders, at any time elect to substitute the Notes for, or vary the terms of the Notes so that they remain or become (as applicable) Qualifying Tier 2 Securities, if immediately prior to the giving of the relevant notice to Noteholders, a Tax Event or Capital Disqualification Event has occurred and is continuing.

Additional Amounts

Payments on the Notes will be made without deduction or withholding for or on account of United Kingdom tax, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is required by law, the Issuer will pay such additional amounts as shall be necessary in order that the amounts received by the Noteholders or Couponholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of the withholding or deduction (“**Additional Amounts**”), subject to some exceptions, as described in Condition 7.

Events of Default and Enforcement

If default is made for a period of seven days or more in the payment of any interest (including, without limitation, Arrears of Interest) or principal due in respect of the Notes or any of them, the Trustee in its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 9(d)), institute proceedings for the winding-up of the Issuer and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer for such payment, but may take no further or other action to enforce, prove or claim for any such payment. No payment in respect of the Notes, the Coupons or the Trust Deed may be made by the Issuer pursuant to Condition 9(a), nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received consent or non-objection from, the Relevant Regulator which the Issuer shall confirm in writing to the Trustee.

Form and Denomination

The Notes will be issued in bearer form in denominations of £100,000 and integral multiples of £1,000 in excess thereof up to

and including £199,000. No definitive Notes will be issued with a denomination below £100,000 or above £199,000.

Listing

Application has been made for the Notes to be admitted to the Official List of the United Kingdom Listing Authority and for the Notes to be admitted to trading on the London Stock Exchange's regulated market.

Ratings

The Notes are expected, on issue, to be rated Baa2 (hyb) and BBB by Moody's Investors Service Ltd. and Fitch Ratings Ltd. respectively. The existing senior debt of the Issuer is rated Baa1 and A- by Moody's Investors Service Ltd. and Fitch Ratings Ltd. respectively.

Each of Moody's Investors Service Ltd. and Fitch Ratings Ltd. is established in the European Union and registered under Regulation 1060/2009/EC on credit ratings agencies. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

Governing Law

The Notes, the Coupons and the Trust Deed, and any non-contractual obligations arising out of or in connection therewith, will be governed by and construed in accordance with English law.

Risk Factors

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, risk factors which are specific to the Notes and factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Prospectus are described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not 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.

In these risk factors, “Group” means the Issuer and its subsidiaries and “Bupa Group” means The British United Provident Association Limited and its subsidiaries.

Factors that may affect the Issuer’s ability to fulfil its obligations under the Notes

Insurance risk

The Group’s insurance businesses face the risk that unexpected variations in the frequency, size or timing of claims will lead to reductions in financial returns. By virtue of being in the healthcare business the Group is exposed to a number of factors affecting its insurance risk. These include macroeconomic trends, increases in medical inflation, shifts in demographics, changes in population health, developments in healthcare delivery and technology, and statistical fluctuation.

The Group manages these risks by the use of advanced analytic models of products and pricing controls on underwriting and claims settlement, policy clarity and contract certainty, internal and external actuarial reviews and, in selected circumstances, the use of reinsurance to transfer risk. The Group’s insurance business is for short-term medical costs, enabling regular re-pricing in the event of changes in claims trends. However, there can be no assurance that the insurance risks which the Group faces will not materialise.

Failure to anticipate changes in the factors affecting its insurance risk, failure to appropriately price insurance products or failure to rectify deficiencies in the assumptions or actuarial models employed by the Group could mean that claims experience is less favourable than the Group’s underlying assumptions, which could lead to a shortfall in technical reserves against actual claims costs, which could adversely affect the Group’s cash flow, profitability and financial position.

Competition risk

Private medical insurance and care provision markets are increasingly competitive and there are many factors which affect the Group’s ability to sell products ahead of its competitors. These include price, financial strength, credit ratings, range of products, product quality, brand strength

and brand recognition. In some of the Group's markets, the Group faces competitors that are larger, have greater financial resources or a greater market share, offer a broader range of products or have higher claims-paying ratios. Effective competition among healthcare providers is an essential mechanism for controlling price inflation. The Group keeps its competitive position in each of its markets under continuous scrutiny and regularly reviews strategic and tactical objectives. The Board and senior management monitor performance via key indicators such as trend data, customer satisfaction results and monthly financial results.

Any failure by the Group to offer competitive products in terms of price or perceived value or any greater success or perceived success of the Group's competitors in competing effectively could adversely affect the Group's competitive position and could result in a loss of revenue and an adverse effect on the Group's results of operations.

Provider costs

The Group's insurance customers benefit from services procured from a wide range of providers including hospitals and consultants. In the face of inflationary pressures, there is a risk that increasing provider charges will lead to substantial increases in premium rates and customer dissatisfaction, which could result in a loss of customers which could adversely impact the Group's revenue and profitability.

The Group's policy is to work with its providers to maintain and improve quality while containing the cost of procuring medical services. This includes, where possible, the use of contracts, preferred supplier arrangements and case management techniques. While the Group seeks to mitigate the risks of rising costs, there can be no assurance that inflationary pressures will ease, that the mitigating steps taken by the Group will be effective, or that rising costs will not result in a loss of customers which could in turn adversely impact the Group's revenue and profitability.

Clinical governance risk

The Group is committed to ensuring that its customers, wherever they are in the world, are treated and cared for according to evidence-based best practice, high patient safety and clinical standards. Clinical risks are inherent in the Group's care provision activities. Monitoring these risks is mainly a Market Unit led responsibility and key businesses within the Group have a Medical Director responsible for ensuring clinical quality governance within the business. They are professionally accountable to Bupa's Chief Medical Officer ("**CMO**") for clinical governance; the CMO has been nominated as the senior manager, independent from the business, who takes overall responsibility for the oversight of systems and controls relating to clinical governance within the Group. Bupa's structure of clinical governance and quality committees means that there is oversight both within Market Units and across Bupa. This oversight is informed by quarterly reporting of key quality indicators to the Group Clinical Governance and Quality Committee.

Failure to adequately monitor clinical risks could lead to regulatory action against the Group and could result in damage claims, adverse media coverage for the Group, damage to the Group's reputation and, ultimately, a reduction in customer numbers and a significant financial impact on the Group.

Care homes' fees and costs

A significant proportion of revenues for Bupa's care homes businesses, especially in the UK, comes from local government. Austerity measures imposed by governments increase pressure on Bupa's ability to achieve desired utilisation rates and pricing targets.

The profitability, and therefore its ability to reinvest in the care of its residents, of the UK care homes business is dependent on achieving an adequate funding stream from local government, and the NHS, which funds the fees of approximately 70% of UK residents.

In the UK, staffing costs constitute over half of the care homes business's cost base and the introduction of the UK's National Living Wage on 1 April 2016 has led to an increase in staffing costs. The Group has implemented a structured transformation programme to drive key initiatives into the UK care homes business, which has the potential to mitigate the impact of these increased costs, and is also continuing its disciplined approach to fee negotiations, focusing on recovering the cost of caring for its residents from local authority contracts. However, there is a risk that increases in staffing costs are not able to be recovered by increased charges to local authorities or privately funded residents or otherwise offset, which could have an adverse impact on the financial results of the Group.

Property risk

The Group has a significant property portfolio, much of which is primarily connected to its care homes businesses. The Group generally owns rather than rents property, which reduces the cost of lease commitments but leaves the Group exposed to falls in property values. The Group manages this risk by factoring property risk into any acquisition appraisal. In addition, the broad geographic spread of the Group's business means that its property risk is spread across a variety of property markets. Care home valuations are based on the underlying profitability of the individual homes. However, devaluations of the Group's property portfolio could, in turn, have an adverse effect on the Group's financial condition and results of operations.

Political risk

Healthcare policy and the role of the private sector in the Group's key markets is subject to ongoing review by governmental authorities and to changes as a result of political decisions. Whilst these changes may be favourable to the Group, there is a risk that changes such as reduced or reprioritised public spending on private sector healthcare may have adverse consequences for the Group's business, results of operations and financial condition. The Group also operates in some emerging markets where there is the risk that political changes may be more frequent and may have a more profound effect on the Group.

As part of its strategic planning process, the Group regularly analyses the impact of possible political changes on its business model. The Group seeks to maintain a constructive dialogue with government officials in its main areas of operation, promoting the benefits of high quality private healthcare alongside public provision. Although the Group's operations are geographically diversified, there can be no assurance that there will not be a change in healthcare policy in any of the markets in which the Group operates. Such changes could mean that the Group may have to withdraw from certain markets, which may result in a reduction in customer numbers and, as a result, a reduction in the Group's revenues.

Regulatory policy risk

The Group operates in a highly regulated business environment. The Group serves customers in more than 190 countries and the Group is required to comply with differing regulations across its businesses which are enforced by a variety of governments, regulators and supervisory authorities. In the UK, Bupa's principal financial regulators are the Prudential Regulation Authority ("**PRA**") and the FCA. The Group seeks to operate to the highest regulatory standards and to maintain an awareness of and, where possible, anticipate regulatory change.

However, the Group is unable to predict the content of new legislation or regulations and the Group could therefore be affected by changes in financial, clinical, medical or health and safety regulations in a number of countries. This could affect the way the Group carries out business, and in certain cases might increase the Group's costs or reduce the Group's revenues. Any new legislation or regulations or increases in costs or reductions in revenues could adversely impact the Group's product range, distribution channels and results of operations and could increase the capital financing requirements of the Group.

Geographical spread

The Group's international businesses operate in a wide range of locations across the world, and the Group's overall international success is dependant on its ability to succeed in different economic, social and political environments. Geographical diversification provides the benefit of spreading risk by reducing the relative exposure to any single healthcare economy but also represents a risk when operating in new markets with which the Group is less familiar.

The Group recognises the need to maintain effective central oversight of its operations while allowing each business the flexibility to evolve its business model, which allows it to operate effectively in its local market. The Group employs strong local management, with oversight from the Corporate Centre, who are either based in or regularly visit overseas business units to monitor performance. The dissemination of best practice and collaboration among business units is encouraged through regular business reviews and the Group's international executive development programmes. Failure to anticipate or adapt to such conditions, failure to diversify appropriately and ineffective central oversight of the Group's operations could adversely affect the Group's revenues and results of operations.

Pandemic

As the Group is a major health and care provider, a potential pandemic such as avian or swine flu could have a significant impact on the Group's operations. A pandemic could present the Group's care homes and hospitals with operational difficulties in maintaining an adequate staffing profile and protecting residents and patients, in addition to disrupting normal business activities across the organisation.

Although each business unit incorporates pandemic planning into its business continuity plans to mitigate as far as possible the impact of a pandemic such as avian or swine flu, there can be no assurance that a pandemic would not have any adverse impact on the Group's business, reputation, results of operations and financial condition. Generally, the Group's health insurance contracts contain terms and conditions that provide for the reimbursement of incurred medical expenses for treatment related to acute medical conditions and exclude those related to pandemics. If the effectiveness of external parties, including governmental and non-

governmental organisations, in combating the spread and severity of such a pandemic is low, adverse financial impact on the Group could be greater.

Exchange rate risk

The Group is exposed to exchange rate risk as a consequence of its trading and operating activities in different countries. The Group is exposed to the risk of losses arising from adverse and/or volatile movements in exchange rates, in particular the Australian dollar to sterling exchange rate. Indeed, the effect of exchange rate fluctuations on local operating results could lead to significant fluctuations in the results reported in the Group's consolidated financial statements upon translation of the Group's results into sterling. Although the Group takes certain actions to address this risk, foreign currency exchange rate fluctuation could materially adversely affect the Group's reported results due to unhedged positions or the failure of hedges to effectively offset the impact of the foreign currency exchange rate fluctuation. If the Group were to suffer substantial losses due to exchange rate volatility it may adversely affect the Group's solvency capital ratios, results of operations and financial condition.

Economic market conditions

Challenging economic conditions increase the risks faced by the Group. Rising inflation, prolonged periods of low interest rates, credit rating reductions for investment counterparties and reduced growth in the markets in which the Group's public sector and private sector customers are based exposes the Group to the risks of reduced results of operations and increased financial counterparty risk.

Factors such as consumer spending, business investment, government spending, the volatility and strength of both debt and equity markets, and inflation all affect the business and economic environment in which the Group operates and, ultimately, the revenues and profitability of the Group's business. In an economic downturn characterised by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for the Group's insurance products could be adversely affected, in particular as a result of reductions by the Group's corporate customers. The Group's individual and corporate policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. These adverse changes in the economy could negatively affect the revenues of the Group and could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group seeks to minimise the impact of external economic events through the diversified nature of its operations. The Group's governance structures and policies seek to protect the business from excessive exposure to specific external risks while seeking to achieve growth targets. Management teams are responsible for considering the potential impact of macroeconomic events in terms of impacts on their business plans including the use of stress testing to consider potential consequences of specific events. However there can be no assurance that the Group's operations are effectively diversified against the risk of global economic stagnation or downturn, any deterioration in economic conditions or any continuation of challenging economic conditions.

On 23 June 2016, a referendum was held on the UK's membership of the EU, the outcome of which was a vote in favour of leaving the EU. The immediate impact of referendum result on the Group's financial position has been limited. While there will be commercial, operational and

legal impacts from the UK's exit from the EU, it is too early to conclude how the result of the referendum will affect the Group's businesses, customers and employees. Key sources of resulting uncertainty relate to free movement of people, regulation of financial services (passporting) and the impact of the UK leaving the EU on the UK economy. The Group will continue to monitor the situation closely to assess the impact that the UK's vote to leave the EU is having and may in future have on its business, financial condition and results of operations.

Business continuity risk

The geographic diversification of the Group's operations significantly increases its exposure to business disruption, natural disasters and other catastrophic events which could affect the continuity of the Group's business. Pandemics, natural disasters, terrorism and fires could disrupt operations and result in significant loss of property, key personnel and information about the Group and its customers.

Each Bupa Business Unit has detailed Business Continuity Plans. These plans include response plans for specific incidents such as pandemics or significant events and are tested on a regular basis. Business continuity issues are reported to Bupa's Group Risk Committee which is responsible for ensuring appropriate controls are in place to mitigate potential risks. As a result of the governance structures and controls in place, the Group was not significantly impacted by any business disruption event during 2015. However, the failure of the Group's business continuity plans to anticipate and address events which pose risks to the continuity of the Group's business could lead to disruption of the Group's business for a substantial period of time, which could have a material adverse effect on the Group's results of operations in any period and, depending on the severity, could also materially and adversely affect the Group's financial condition.

Expansion

The Group makes acquisitions where it considers they will enhance its services or geographical spread and increase the value of the business in the long term. Rapid growth into new markets, rapid expansion in the Group's existing markets and any major acquisition exposes the Group to new potential financial, regulatory and reputational risks as well as the operational risks associated with the integration of newly acquired businesses. The Group controls acquisition risk by focusing on product and service areas in which it has expertise. The Group has a defined acquisition methodology and expert staff, and its integration programmes are regularly reviewed by senior management. No one management team in the Group handles more than two material live acquisitions concurrently, in order to ensure performance delivery within its existing businesses alongside execution of any mergers and acquisitions. Failure to accurately appraise acquisition opportunities or to realise anticipated returns from newly acquired businesses or the Group's exposure to liabilities within newly acquired businesses could adversely affect the Group's operating results and divert substantial amounts of management time away from operations and potentially profitable initiatives.

The Group's acquisitions could also result in the incurrence of additional indebtedness, costs, contingent liabilities, and impairment and amortisation expenses related to goodwill and other intangible assets, all of which could materially adversely affect the Group's businesses, financial conditions and results of operations. There could also be unforeseen liabilities that arise out of the businesses acquired and those it may acquire in the future which may not be covered by, or exceed the amounts of, any indemnities provided to the Group by the sellers.

Leadership

As the Group changes and grows, its success depends on its ability to attract, motivate and retain highly skilled management and other personnel, particularly those who operate in technical and professional areas of the Group's business. The Board views the development and training of the Group's personnel, and the recruitment of experienced individuals from outside the Group, as central to the Group's future success. Certain key members of the Group's personnel are required to be approved by relevant regulators and must be fit and proper to perform their functions. If such persons ceased to be fit and proper they would not be able to perform their functions within the Group and any finding that such persons had ceased to be fit and proper could result in adverse publicity for the Group and damage to the Group's reputation. Further, in the event that such persons left the Group and suitable replacements could not be found, this could impact on the ability of the Group to innovate and bring new products and services to market, which could adversely affect the Group's business, results of operations and financial condition.

Management of change

The Group has stringent change management procedures. Major project expenditure on new developments is approved by the Board following a thorough assessment of plans. Professional programme management resources are used and the internal audit function reviews the impact of major changes on the Group's operational controls. Progress on key projects is reviewed by Bupa's Group Risk Committee or the Board. However, there can be no assurance that such assessments and reviews will be adequate. Failure to manage changes effectively could mean that improvements in products and services are not achieved, which could adversely affect the Group's business, results of operations and financial condition.

Information Technology and information governance

The Group's services are underpinned by information technology systems and infrastructure ("IT"). The Group has a number of dedicated IT teams who are responsible for the development, maintenance and monitoring of IT services. The Group has a dedicated IT security risk management resource operating under the leadership of the Chief Information Officer.

Due to the nature of its business, the Group handles sensitive consumer data and any failure to maintain the confidentiality of such data could result in liability for, and reputational damage to, the Group. System failures may impact the Group's provision of products and services and may cause information security breaches. Systems failures or outages could compromise the Group's ability to perform these functions in a timely manner, which could harm its ability to conduct business as well as the Group's relationships with its business partners and customers. The Group's systems could also be subject to physical and electronic break-ins, and subject to similar disruptions from unauthorised tampering. This may impede or interrupt the Group's business operations or lead to unauthorised disclosure or loss of data or data corruption, including customer data, which could lead to legal liability and damage the Group's reputation. Any such failures or breaches and a lack of integration of systems across the Group could adversely affect the Group's business, results of operations and financial condition.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Group 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 FCA.

Operational systems and processes

Failures of the Group's systems and processes in relation to areas such as prevention of financial crime, regulatory compliance and the reporting of financial information are key risks. Such failures could cause unanticipated financial loss, customer detriment and reputational damage. Furthermore, failure to comply with applicable laws and regulations could lead to financial or other penalties (such as fines, disciplinary actions, administrative proceedings etc.) from a regulator or supervisory authority exercising powers of intervention against the Group or to the withdrawal of regulatory licences or permissions necessary for the conduct of the Group's business. Any such regulatory action could adversely affect the Group's business, results of operations and financial condition. The Group continues to strengthen its risk and control framework to mitigate this risk and has a low appetite for operational risks. Nevertheless, some degree of risk exposure will always remain.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Group 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 FCA.

Investment risk

The Board sets the overall investment framework under which the business units operate. Local investment committees are in place in the key regulated insurance businesses within the Group. The local level investment committees set investment strategy within the Group's approved framework. The Group Treasury department in London supports business units with investment activities.

The majority of the Group's financial investments are held in cash and cash like instruments with highly rated credit institutions. Counterparty limits are set to avoid excessive exposure to a single counterparty and ensure that assets are properly diversified. Where possible, deposits are not placed with institutions rated less than A/A2 by any two of the three main international credit rating agencies. The investment income earned on these assets is exposed to interest rate movements at reinvestment.

The Group also holds a small return-seeking asset portfolio, which is exposed to market pricing volatility. The portfolio is managed within a risk budget framework which measures risk using Value at Risk methodology. At times of market stress or dislocation the investment techniques employed may become less effective in mitigating adverse investment performance.

Failure to manage financial investments, restricted financial assets and cash and cash equivalents (valued in total at £3.4bn at 31 December 2015) effectively could result in financial losses or lead to returns that are not competitive, which may result in the Group having to find alternative sources of capital, and which would also have an adverse impact the Group's business, results of operations and financial condition.

Funding risks

The Group needs to maintain good access to a variety of funding sources to ensure that short-term and long-term liquidity is maintained to support current operations and future growth. The Group's principal sources of funding are debt financing and retained earnings.

The Group supports its current operations and future growth from a combination of internally generated profits and externally raised debt. To ensure appropriate diversification of funding risk, the Group has accessed a variety of debt capital markets to support its growth. These currently include the bank debt market and the senior and subordinated (hybrid) bond market.

The Group is committed to maintaining an appropriate investment grade credit rating with major credit rating agencies and closely targets key financial ratios, such as gearing and interest cover. Any inadequacy of the Group's funding policies, failure to maintain such an investment grade credit rating and reduced availability of funding sources could lead to increased funding costs or to the inability of the Group to refinance its borrowings, any of which could adversely affect the Group's liquidity and financial flexibility, which, given the Group's reliance on debt financing and retained earnings for its funding requirements, could adversely affect the Group's business, results of operations and financial condition.

Pension funding risk

Bupa has significant defined benefit pension obligations relating to its UK business. Estimates of the amount and timing of any future funding requirements for the schemes are based on actuarial assumptions and other factors including the actual and projected market performance of the scheme assets, future long-term bond yields, average life expectancies and relevant legal requirements.

Actual performance of scheme assets may be affected by volatility in debt and equity markets. Bupa's UK defined benefit pension scheme is closed to new entrants, however, changes to assumptions and other factors may require the Group to make additional contributions to its pension scheme. In the event that a significant funding deficit were to arise, the funding position would need to be discussed with the pension scheme trustees to agree appropriate actions, which may include a plan to fund any such deficit over a number of years. A requirement to make significant additional funding contributions could adversely affect the Group's business, results of operations and financial condition.

Capital and solvency risk

The Bupa Group must comply with the provisions of the EU Solvency II legislation which came into effect on 1 January 2016. It prescribes how the assets and liabilities comprising capital are to be valued and requires the Bupa Group to hold capital to at least the level of its Solvency Capital Requirement (SCR). The Bupa Group's SCR is calculated in accordance with the Standard Formula specified in the Solvency II legislation. The Bupa Group has obtained approval from the regulators to substitute the insurance premium risk parameter in the formula with an Undertaking Specific Parameter which reflects the Bupa Group's own loss experience and the fact that the Bupa Group's size, experience and geographic diversification reduces the level of premium risk.

The Bupa Group as a whole, as well as individual insurance entities within the Bupa Group, seeks to maintain a prudent capital surplus over and above the applicable regulatory capital requirements. The level of target surplus is regularly reviewed by the Board as part of its assessment of its capital risk appetite and in the light of regulatory changes and the effect on ongoing business activities.

It is possible that the Bupa Group's capital requirements may increase as a result of changes to the Solvency II legislation or its interpretation.

A failure by the Bupa Group to comply with the measures required by Solvency II in a timely manner could lead to regulatory action and could have a material adverse effect on the Bupa Group and the Bupa Group's business, results of operations and financial condition.

Risks Related to the Structure of the Notes

The Notes have features which entail particular risks for potential investors:

(Capitalised terms used but not defined in this section have the meaning given to them in the Terms and Conditions of the Notes on pages 26 to 50 of this Prospectus.)

Early redemption of the Notes is at all times at the discretion of the Issuer, and an investor may not be able to reinvest the redemption proceeds at as effective a rate of return as that in respect of the Notes

The Notes may, subject as provided in Condition 5, be redeemed before the maturity date at the sole discretion of the Issuer in the event of certain specified events relating to taxation or if the Notes cease to qualify as Tier 2 Capital of the Issuer or of the regulatory group to which the Issuer belongs, in each case at their principal amount together with interest accrued but unpaid to (but excluding) the date of redemption and any Arrears of Interest.

During any period when the Issuer may elect to redeem the Notes, the market value of the 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.

An investor may 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.

The Notes are unsecured and subordinated obligations of the Issuer. On a winding-up of the Issuer, investors in the Notes may lose their entire investment in the Notes

The Issuer's payment obligations under the Notes will be unsecured and will be subordinated (i) on a winding-up of the Issuer and (ii) in the event that an administrator is appointed to the Issuer and gives notice that it intends to declare and distribute a dividend and, in each case, will rank junior to the claims of unsubordinated creditors of the Issuer (including any policyholders of the Issuer and all beneficiaries under any contracts of insurance written by the Issuer) and claims in respect of any subordinated indebtedness of the Issuer (other than indebtedness which ranks, or is expressed to rank, *pari passu* with or junior to the Notes). Accordingly, the assets of the Issuer would be applied first in satisfying all senior-ranking claims in full, and payments would

be made to holders of the Notes, *pro rata* and proportionately with payments made to holders of any other *pari passu* instruments, only if and to the extent that there are any assets remaining after satisfaction in full of all such senior-ranking claims. If the Issuer's assets are insufficient to meet all its obligations to senior-ranking and *pari passu* creditors, the holders of the Notes will lose all or some of their investment in the Notes.

There is no restriction on the amount of securities which the Issuer may issue and which rank senior to, or *pari passu* with, the Notes and accordingly, the Issuer may at any time incur, issue further debt or securities which rank senior to, or *pari passu* with, the Notes. Consequently there can be no assurance that the current level of senior or *pari passu* debt of the Issuer will not change. The issue of any such securities may reduce the amount (if any) recoverable by Noteholders on a winding-up of the Issuer.

If the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound-up or enter into administration, such circumstances can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes, whether or not the Issuer is wound up or enters into administration.

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

Payments of interest on, and redemption of, the Notes must in certain circumstances be deferred by the Issuer

The payment obligations by the Issuer under the Notes are conditional upon there being no breach of the Solvency Condition (as described in Condition 2(b)) at the time of such payment and no such breach occurring as a result of such payment and, in the case of the payment of interest, there being no Regulatory Deficiency Interest Deferral Event at the time of such payment and no such event occurring as a result of such payment and, in the case of the redemption of the Notes, there being no Regulatory Deficiency Redemption Deferral Event at the time of such payment and no such event occurring as a result of such payment and (if then required) regulatory consent having been obtained and such redemption being made in compliance with the Relevant Rules at such time. Any amounts of principal, interest, Arrears of Interest and any other amounts in respect of the Notes which cannot be paid on the scheduled payment date by virtue of the foregoing provisions must be deferred by the Issuer, and non-payment of the amounts so deferred shall not constitute a default under the Notes or the Trust Deed for any purpose.

Any interest in respect of the Notes so deferred will, so long as the same remains unpaid, constitute Arrears of Interest. The holders of the Notes have no right to require payment of Arrears of Interest, and Arrears of Interest will become payable only at the discretion of the Issuer or upon the earliest of the dates set out in Condition 4(b)(i) to (iii).

If redemption of the Notes is deferred, the Notes will only become due for redemption in the circumstances described in Condition 5(a)(iii) and (iv).

The circumstances in which a Regulatory Deficiency Interest Referral Event or a Regulatory Deficiency Redemption Deferral Event may occur are dependent upon the solvency position of the Issuer and any Group Insurance Undertaking under the Relevant Rules and the requirements of the Relevant Rules.

Any actual or anticipated deferral of interest or redemption can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes. In addition, as a result of the deferral provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other securities or instruments that do not require deferral of interest or principal, and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Modifications, waivers and substitution: In the event of certain specified events relating to taxation or if the Notes cease to qualify as Tier 2 Capital of the Issuer or of the regulatory group to which the Issuer belongs, the Issuer may (subject to certain conditions) at any time substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), Qualifying Tier 2 Securities, without the consent of the Noteholders.

Whilst Qualifying Tier 2 Securities must have terms not materially less favourable to holders than the terms of the Notes, there can be no assurance that, due to the particular circumstances of a holder of Notes, such Qualifying Tier 2 Securities will be as favourable to each investor in all respects.

In addition, the Trust Deed constituting the Notes contains 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 Trust Deed constituting the Notes also provides that, subject to the prior consent of the Relevant Regulator (as defined herein) being obtained (to the extent that such consent is required), the Trustee may (except as set out in the Trust Deed), without the consent of Noteholders, agree to certain modifications of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or to the substitution of another company as principal debtor or guarantor under the Notes in place of the Issuer in the circumstances described in Condition 10(d).

Restricted remedy for non-payment when due

In accordance with the PRA's requirements for Tier 2 Capital, the sole remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Terms and Conditions of the Notes) any Noteholder for recovery of amounts which have become due in respect of the Notes and Coupons will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up or administration and/or claiming in the liquidation of the Issuer.

The Issuer is a holding company and therefore payments on the Notes are structurally subordinated to the liabilities and obligations of the Issuer's subsidiaries

The Issuer is a holding company within the Group, with its operations being conducted by operating subsidiaries. Accordingly, creditors of a subsidiary would have to be paid in full before sums would be available to the shareholders of that subsidiary (i.e. the Issuer or a subsidiary of the Issuer) and so to Noteholders. The Terms and Conditions of the Notes do not limit the amount of liabilities that the Issuer's subsidiaries may incur. In addition, the Issuer may not necessarily have access to the full amount of cash flows generated by its operating subsidiaries, due in particular to legal or tax constraints, contractual restrictions and the subsidiary's financial requirements.

Risk factors relating to the Notes generally

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

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the Notes. 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 issue of the Notes.

Integral multiples of less than £100,000

The denomination of the Notes is £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000. Accordingly, it is possible that the Notes may be traded in the clearing systems in amounts in excess of £100,000 that are not integral multiples of £100,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Should definitive Notes be required to be issued, they will be issued in principal amounts of £100,000 and higher integral multiples of £1,000 up to a maximum of £199,000 but will in no circumstances be issued to Noteholders who hold Notes in the relevant clearing system in amounts that are less than £100,000.

If definitive Notes are issued, Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of £100,000 may be illiquid and difficult to trade.

Risks related to the market generally

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

The secondary market generally

The Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to

similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on Notes in sterling. 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 sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of sterling 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 sterling 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.

Interest rate risks

Investment in the Notes, which bear a fixed rate of interest, involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

Credit ratings may not reflect all risks

The Notes are expected, on issue, to be rated Baa2 (hyb) and BBB by Moody's Investors Service Ltd. and Fitch Ratings Ltd. 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 the rating agency at any time.

Terms and Conditions of the Notes

The following are the Terms and Conditions of the Notes, substantially as they will appear on the Notes in definitive form (if issued).

The £400,000,000 5.000 per cent. Fixed Rate Subordinated Notes due 2026 (the “Notes”, which expression shall, unless the context otherwise requires, include any further notes issued pursuant to Condition 14 and forming a single series with the Notes) of Bupa Finance plc (the “Issuer”) are constituted by a trust deed dated 8 December 2016 (the “Trust Deed”) between the Issuer and HSBC Corporate Trustee Company (UK) Limited (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes (the “Noteholders”). These terms and conditions (the “Conditions”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes and Coupons referred to below. An Agency Agreement dated 8 December 2016 (the “Agency Agreement”) has been entered into in relation to the Notes between the Issuer and HSBC Bank plc as principal paying agent. The principal paying agent and any other paying agent(s) appointed under the Agency Agreement are referred to below respectively as the “Principal Paying Agent” and the “Paying Agents” (which expression shall include the Principal Paying Agent). Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours and upon reasonable notice at the principal office of the Trustee (presently at 8 Canada Square, London, E14 5HQ, UK) and at the specified office of each of the Paying Agents.

The Noteholders and the holders of the interest coupons (the “Coupons”) relating to the Notes (the “Couponholders”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

1. Form, Denomination and Title

The Notes are issued in bearer form, serially numbered, in denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000, each with Coupons attached on issue. No definitive Notes will be issued with a denomination below £100,000 or above £199,000.

Title to the Notes and the Coupons shall pass by delivery. Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note or Coupon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it, or its theft or loss and no person shall be liable for so treating the holder.

2. Status

(a) General

The Notes and the Coupons relating to them constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up of the Issuer (other than an Approved Winding-up) or the appointment of an administrator of the Issuer where the administrator has given notice that it intends to declare and distribute a dividend, the

payment obligations of the Issuer under or arising from the Notes and the Coupons relating to them and the Trust Deed, including any Arrears of Interest and any damages awarded for breach of any obligations in respect of the Notes and the Coupons, shall be subordinated in the manner provided in the Trust Deed to the claims of all Senior Creditors of the Issuer, but shall rank at least *pari passu* with all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital (including, without limitation and for so long as they remain outstanding, the £500,000,000 5.00 per cent. Subordinated Notes due 2023 issued by the Issuer) (“**Pari Passu Securities**”) and shall rank in priority to the claims of holders of: (i) the Existing Undated Securities; (ii) all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules); and (iii) all classes of share capital of the Issuer (together, the “**Junior Securities**”).

(b) Solvency Condition

Without prejudice to Condition 2(a) above, all payments under or arising from the Notes, the Coupons relating to them and the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable under or arising from the Notes, the Coupons relating to them and the Trust Deed unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the “Solvency Condition”). For the purposes of this Condition 2(b), the Issuer will be solvent if (i) it is able to pay its debts owed to Senior Creditors and *Pari Passu* Creditors as they fall due and (ii) its Assets exceed its Liabilities (other than Liabilities to persons who are Junior Creditors). A certificate as to solvency of the Issuer signed by two Directors or, if there is a winding-up or administration of the Issuer, the liquidator or, as the case may be, the administrator of the Issuer shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person.

(c) Set-off, etc.

Subject to applicable law, no holder of the Notes and the Coupons relating to them may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Notes and the Coupons relating to them and each holder of the Notes and the Coupons relating to them shall, by virtue of being the holder of any Note or Coupon, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any holder of the Notes or Coupons relating to them by the Issuer is discharged by set-off, such holder shall, unless such payment is prohibited by law, immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up or administration, the liquidator or administrator, as appropriate of the Issuer for payment to the Senior Creditors in respect of amounts owing to them by the Issuer, and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator or administrator, as appropriate of the Issuer (as the case may be), for payment to the

Senior Creditors in respect of amounts owing to them by the Issuer and accordingly any such discharge shall be deemed not to have taken place.

As used in this Condition 2, the expression “obligations” includes any direct or indirect obligations of the Issuer and whether by way of guarantee, indemnity, other contractual support arrangement or otherwise and regardless of name or designation.

On a winding-up of the Issuer, there may be no surplus assets available to meet the claims of the Noteholders after the claims of the parties ranking senior to the Noteholders (as provided in Condition 2) have been satisfied.

3. Interest

(a) *Interest Rate and Interest Payment Dates*

Subject to Condition 2(b) and Condition 4, each Note bears interest on its outstanding principal amount from (and including) the Issue Date at the rate of 5.000 per cent. per annum, payable semi-annually in arrear on 8 June and 8 December of each year, the first payment to be made on 8 June 2017 (each an “**Interest Payment Date**”). The first payment shall be in respect of the period from (and including) the Issue Date to (but excluding) 8 June 2017, and thereafter for each successive period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date.

(b) *Interest Accrual*

Each Note will cease to bear interest from (and including) its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.

(c) *Calculation of Interest*

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

Interest shall be calculated per £1,000 in principal amount of the Notes (the “Calculation Amount”) by applying the rate of interest referred to in Condition 3(a) to such Calculation Amount, multiplying the resulting figure by the day count fraction described in the immediately preceding paragraph and rounding the resultant figure to two decimal places (with 0.005 being rounded up). The amount of interest payable in respect of a Note shall be calculated by multiplying the amount of interest per Calculation Amount determined as aforesaid by the specified denomination of such Note and dividing the resulting figure by £1,000.

4. Deferral of Payments

(a) *Mandatory Deferral of Interest*

Payment of interest on the Notes will be mandatorily deferred on each Mandatory Interest Deferral Date. The Issuer shall notify the Trustee in writing and notify the Noteholders in accordance with Condition 16 no later than 5 Business Days prior to an Interest Payment Date (or as soon as reasonably practicable if a Regulatory Deficiency Interest Deferral Event occurs less than 5 Business Days prior to an Interest Payment Date) if a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or if a Regulatory Deficiency Interest Deferral Event would occur on the Interest Payment Date if payment of interest was made (provided that, for the avoidance of doubt, any delay in giving such notice shall not result in such interest becoming due and payable on the relevant Mandatory Interest Deferral Date).

A certificate signed by two Directors confirming that (a) a Regulatory Deficiency Interest Deferral Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made or (b) a Regulatory Deficiency Interest Deferral Event has ceased to occur and/or payment of interest on the Notes would not result in a Regulatory Deficiency Interest Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person.

Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any payment of interest on a Mandatory Interest Deferral Date in accordance with this Condition 4(a) or in accordance with Condition 2(b) will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes.

(b) *Arrears of Interest*

Any interest in respect of the Notes not paid on an Interest Payment Date as a result of the obligation on the Issuer to defer pursuant to Condition 4(a) or due to the operation of the Solvency Condition contained in Condition 2(b), together with any other interest in respect of the Notes not paid on an earlier Interest Payment Date shall, so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest shall not themselves bear interest.

Any Arrears of Interest may (subject to Condition 2(b) and (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator), be paid in whole or in part at any time (provided that at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur if payment of such Arrears of Interest was made) upon the expiry of not less than 14 days' notice to such effect given by the Issuer to the Trustee in writing and to the Noteholders in accordance with Condition 16, and in any event will become due and payable (subject, in the case of (i) and (iii) below, to Condition 2(b) and (to the extent then required by the Relevant Regulator or the

Relevant Rules) any notifications to, or consent or non-objection from, the Relevant Regulator) in whole (and not in part) upon the earliest of the following dates:

- (i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date; or
- (ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend; or
- (iii) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer or any of its Subsidiaries pursuant to Condition 5.

5. Redemption, Substitution, Variation, Purchase and Options

(a) Redemption

- (i) Subject to Condition 2(b), Condition 5(a)(ii) below and to compliance by the Issuer with regulatory rules including (to the extent then required by the Relevant Regulator or the Relevant Rules) on notification to, or consent or non-objection from, the Relevant Regulator, and provided that such redemption is permitted under the Relevant Rules applicable from time to time to the Issuer (on the basis that the Notes are intended to qualify as Tier 2 Capital under the Relevant Rules), unless previously redeemed or purchased and cancelled as provided below each Note shall be redeemed on the Maturity Date at its principal amount together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption in accordance with these Conditions.
- (ii) No Notes shall be redeemed on the Maturity Date pursuant to Condition 5(a)(i) or prior to the Maturity Date pursuant to Condition 5(c) or Condition 5(d) if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption is made on, if Condition 5(a)(i) applies, the Maturity Date or, if Condition 5(c) or Condition 5(d) applies, any date specified for redemption in accordance with such Conditions.
- (iii) If the Notes are not to be redeemed on the Maturity Date pursuant to Condition 5(a)(i) or on any scheduled redemption date pursuant to Condition 5(c) or Condition 5(d) as a result of circumstances where:
 - (A) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were redeemed on such date;
 - (B) the Solvency Condition would not be satisfied on such date and immediately after the redemption; or
 - (C) the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) or the Relevant Regulator objects to the redemption or

such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date,

the Issuer shall notify the Trustee in writing and notify the Noteholders in accordance with Condition 16 no later than 5 Business Days prior to the Maturity Date or the date specified for redemption in accordance with Condition 5(c) or Condition 5(d), as applicable (or as soon as reasonably practicable if the relevant circumstance requiring redemption to be deferred arises, or is determined, less than 5 Business Days prior to the relevant redemption date).

- (iv) If redemption of the Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 5(c) or Condition 5(d) as a result of Condition 5(a)(ii) above or the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) or the Relevant Regulator objects to the redemption or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date, subject (in the case of (A) and (B) below only) to Condition 2(b) and (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator, such Notes shall be redeemed at their principal amount together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption, upon the earliest of:
 - (A) (in the case of a failure to redeem due to the operation of Condition 5(a)(ii) only) the date falling 10 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased (unless, on such 10th Business Day, a further Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or redemption of the Notes on such date would result in a Regulatory Deficiency Redemption Deferral Event occurring, in which case the provisions of Condition 5(a)(ii), Condition 5(a)(iii) and this Condition 5(a)(iv) shall apply mutatis mutandis to determine the due date for redemption); or
 - (B) the date falling 10 Business Days after the Relevant Regulator has agreed to the repayment or redemption of the Notes; or
 - (C) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend.
- (v) If Condition 5(a)(ii) does not apply, but redemption of the Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 5(c) or Condition 5(d) as a result of the Solvency Condition not being satisfied at such time and immediately after such payment, subject (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator, such Notes shall be redeemed at their principal amount

together with accrued interest and any Arrears of Interest on the 10th Business Day immediately following the day that (A) the Issuer is solvent for the purposes of Condition 2(b) and (B) redemption of the Notes would not result in the Issuer ceasing to be solvent for the purposes of Condition 2(b), provided that if on such Business Day specified for redemption a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if the Notes were to be redeemed, or if the Solvency Condition would not be satisfied on such date and immediately after the redemption, then the Notes shall not be redeemed on such date and Condition 2(b) and Condition 5(a)(iv) shall apply *mutatis mutandis* to determine the date of the redemption of the Notes.

- (vi) A certificate signed by two Directors confirming that (A) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if redemption of the Notes were to be made or (B) a Regulatory Deficiency Redemption Deferral Event has ceased to occur and/or redemption of the Notes would not result in a Regulatory Deficiency Redemption Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person.
- (vii) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with Condition 2(b) or this Condition 5 will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes or take any other action under the Notes or the Trust Deed.

(b) *Conditions to Redemption, Substitution, Variation or Purchase*

Any redemption, substitution, variation or purchase of the Notes is subject to the Issuer having complied with relevant legal or regulatory requirements including (to the extent then required by the Relevant Regulator or the Relevant Rules) rules on notification to, or consent or non-objection from, the Relevant Regulator and being in continued compliance with the Regulatory Capital Requirements applicable to it at the relevant time and, in the case of a redemption or purchase that is within five years of the Issue Date of the Notes, to such redemption or purchase being funded out of the proceeds of a new issuance of capital of at least the same quality as the Notes and being otherwise permitted under the Relevant Rules. A certificate signed by two Directors confirming such compliance shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person.

In the case of a redemption that is within five years of the Issue Date of the Notes, the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that it would have been reasonable for the Issuer to conclude, judged at the time of the issue of the Notes, that the circumstance entitling the Issuer to exercise the right of redemption was unlikely to occur. Such certificate shall, in the absence of manifest

error, be treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person.

(c) *Redemption, Substitution or Variation at the Option of the Issuer due to Taxation*

If immediately prior to the giving of the notice referred to below:

- (i) as a result of a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the UK or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the UK is a party, or any change in the application or official interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes and which are capable of constituting Tier 2 Capital) or which differs from any specific written confirmation given by a tax authority in respect of the Notes, which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by UK Act of Parliament or by Statutory Instrument, on or after the Issue Date of the Notes (each a “**Tax Law Change**”), in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts on the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it; or
- (ii) as a result of a Tax Law Change (other than an Excluded Change) in respect of the Issuer’s obligation to make any payment of interest on the next following Interest Payment Date, (x) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the UK, or such entitlement is materially reduced; or (y) the Issuer would not to any material extent be entitled to have such deduction set against the profits of companies with which it is grouped for applicable UK tax purposes (whether under the group relief system current as at the date of the Tax Law Change or any similar system or systems having like effect as may from time to time exist), and in each such case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it,

then the Issuer may:

- (A) subject to Condition 2(b), Condition 5(a)(ii) and Condition 5(b) and having given not less than 30 nor more than 60 days’ notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption in accordance with these Conditions; provided that, in the case of a Tax Law Change which is a proposed amendment or a proposed

change only, no such notice of redemption shall be given earlier than 90 days prior to: (i) the earliest date on which the Issuer would be required to pay such Additional Amounts (in the case of a redemption pursuant to Condition 5(c)(i)); or (ii) the first Interest Payment Date on which the eventuality set out in Condition 5(c)(ii)(x) or Condition 5(c)(ii)(y), as applicable, would materialise (in the case of a redemption pursuant to Condition 5(c)(ii)), as applicable; or

- (B) subject to Condition 5(b) (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (B) and subject to the receipt by it of the certificates of the Directors referred to below and in the definition of Qualifying Tier 2 Securities) agree to such substitution or variation. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 5(c) the Issuer shall deliver to the Trustee (a) a certificate signed by two Directors stating that the relevant requirement or circumstance referred to in paragraph (i) or (ii) above applies and (b) an opinion from a nationally recognised law firm or other tax adviser in the UK experienced in such matters to the effect that the relevant requirement or circumstance referred to in paragraph (i) or (ii) above applies. Such certificate and opinion shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate and opinion without liability to any person. Upon expiry of such notice the Issuer shall (subject to Condition 5(b) and, in the case of a redemption, to Condition 2(b) and Condition 5(a)(ii)) either redeem, vary or substitute the Notes, as the case may be.

In connection with any substitution or variation in accordance with this Condition 5(c), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

(d) *Redemption, Substitution or Variation at the Option of the Issuer due to Capital Disqualification Event*

If immediately prior to the giving of the notice referred to below a Capital Disqualification Event has occurred and is continuing, then:

- (i) the Issuer may, subject to Condition 2(b), Condition 5(a)(ii) and Condition 5(b) and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16, the Trustee and the Principal Paying Agent (which notice shall be irrevocable), redeem in accordance with these Conditions all, but not some only, of the Notes at any time. The Notes will be redeemed at their principal amount, together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption in accordance with these Conditions; or
- (ii) the Issuer may, subject to Condition 5(b) (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (and not some only) of the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of the certificates of the Directors of the Issuer referred to below and in the definition of Qualifying Tier 2 Securities) agree to such substitution or variation. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 5(d) the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that a Capital Disqualification Event has occurred and is continuing as at the date of the certificate. Such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person. Upon expiry of such notice the Issuer shall (subject to Condition 5(b) and, in the case of a redemption, to Condition 2(b) and Condition 5(a)(ii)) either redeem, vary or substitute the Notes, as the case may be.

In connection with any substitution or variation in accordance with this Condition 5(d), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

(e) Purchases

Subject to Condition 2(b) and Condition 5(b), the Issuer and any of its Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(f) Cancellation

All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation by surrendering each such Note together with all unmatured Coupons to the Principal Paying Agent and, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes and Coupons shall be discharged.

(g) Trustee Not Obligated to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 5 and will not be responsible to Noteholders for any loss arising from any failure by the Trustee to do so. Unless and until the Trustee has actual knowledge of the occurrence of any event or circumstance within this Condition 5, it shall be entitled to assume that no such event or circumstance exists.

6. Payments**(a) Method of Payment**

Payments of principal and interest (including, without limitation, Arrears of Interest) will be made against presentation and surrender of Notes or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the relevant Notes. Such payments will be made, at the option of the payee, by a pounds sterling cheque drawn on, or by transfer to a pounds sterling account maintained by the payee with, a bank in London.

Each Note shall be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of the relevant Note (whether or not the relevant Coupon would otherwise have become void pursuant to Condition 8). If any Note is presented for redemption without all unmatured Coupons appertaining to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(b) Payments subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in any jurisdiction, but without prejudice to the provisions of Condition 7. For the purposes of the preceding sentence, the phrase "fiscal or other laws,

regulations and directives” shall include any obligation of the Issuer to withhold or deduct from a payment pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder or official interpretations thereof or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

(c) Appointment of Agents

The Principal Paying Agent is initially appointed by the Issuer and its specified office is listed below. Subject as provided in the Agency Agreement, the Principal Paying Agent, and the Paying Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent or any other Paying Agent and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent and (ii) a Paying Agent having specified offices in London so long as the Notes are admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange’s EEA Regulated Market. Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 16.

(d) Non-Business Days

If any date for payment in respect of any Note or Coupon is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment. In these Conditions, “**Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business:

- (i) (in the case of this Condition 6) in the place where such Note or Coupon is presented for payment; or
- (ii) in any other case, in London.

7. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the UK or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required by law to be made (“**Additional Amounts**”), except that no such Additional Amounts shall be payable with respect to any Note or Coupon:

(a) Other connection

presented for payment by or on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the UK other than the mere holding of the Note or Coupon; or

(b) Lawful avoidance of withholding

presented for payment by or on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any person who is associated or connected with the holder for the purposes of any tax complies with any statutory requirements or by making or procuring that any such person makes a declaration of non residence or other similar claim for exemption to any tax authority in the place where the relevant Note or Coupon is presented for payment; or

(c) Presentation more than 30 days after the Relevant Date

presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth day.

As used in these Conditions, “**Relevant Date**” in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to principal and/or interest shall be deemed to include any Additional Amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

8. Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest including, without limitation, Arrears of Interest) from the appropriate Relevant Date in respect of them.

9. Events of Default and Enforcement**(a) Rights to institute and/or prove in a winding-up**

Notwithstanding any of the provisions below in this Condition 9, the right to institute winding-up proceedings is limited to circumstances where payment has become due and is not duly paid. Pursuant to Condition 2(b), no principal, interest or any other amount will be due on the relevant payment date if the Solvency Condition is not satisfied, at the time of and immediately after any such payment. In the case of any payment of interest in respect of the Notes, such payment will be deferred and will not

be due if Condition 4(a) applies and in the case of payment of principal, such payment will be deferred and will not be due if Condition 5(a) applies or the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules), the Relevant Regulator objects to the redemption or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date.

If default is made for a period of seven days or more in the payment of any interest (including, without limitation, Arrears of Interest) or principal due in respect of the Notes or any of them, the Trustee in its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 9(d)) institute proceedings for the winding-up of the Issuer and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer for such payment, but may take no further or other action to enforce, prove or claim for any such payment. No payment in respect of the Notes, the Coupons or the Trust Deed may be made by the Issuer pursuant to Condition 9(a), nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received consent or non-objection from, the Relevant Regulator, which the Issuer shall confirm in writing to the Trustee.

(b) *Amount payable on winding-up or administration*

If an order is made by the competent court or resolution passed for the winding-up of the Issuer, (other than an Approved Winding-up) or an administrator of the Issuer gives notice that it intends to declare and distribute a dividend, the Trustee at its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 9(d)), give notice to the Issuer (or, as applicable, the administrator or liquidator) that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at the amount equal to their principal amount together with Arrears of Interest, if any, and any other accrued and unpaid interest, and the claim in respect thereof will be subject to the subordination provided for in Condition 2(a).

In addition, any other amounts in respect of the Notes or the Coupons (including any damages awarded for breach of any obligations under these Conditions or the Trust Deed) in respect of which the Solvency Condition was not satisfied on the date upon which the same would otherwise have become due and payable ("**Solvency Claims**") will be payable by the Issuer in a winding-up of the Issuer, and the claim in respect thereof will be subject to the subordination provided for in Condition 2(a). A Solvency Claim shall not bear interest.

(c) *Enforcement*

Without prejudice to Condition 9(a) or Condition 9(b) above, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under

the Trust Deed, the Notes or the Coupons (other than any payment obligation of the Issuer under or arising from the Notes, the Coupons or the Trust Deed including, without limitation, payment of any principal or interest (including, without limitation, Arrears of Interest) in respect of the Notes or the Coupons and any damages awarded for breach of any obligations) and in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums (in cash or otherwise) sooner than the same would otherwise have been payable by it. Nothing in this Condition 9(c) shall, subject to Condition 9(a), prevent the Trustee instituting proceedings for the winding-up of the Issuer, proving in any winding-up of the Issuer and/or claiming in any liquidation of the Issuer in respect of any payment obligations of the Issuer arising from the Notes, the Coupons or the Trust Deed (including without limitation, payment of any principal or interest (including, without limitation, Arrears of Interest) in respect of the Notes or the Coupons and any damages awarded for any breach of any obligations).

(d) Entitlement of the Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 9(a), Condition 9(b) or Condition 9(c) above to enforce the obligations of the Issuer under the Trust Deed, the Notes or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(e) Right of Noteholders

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 9.

(f) Extent of Noteholders' remedy

No remedy against the Issuer, other than as referred to in this Condition 9, shall be available to the Trustee or the Noteholders or Couponholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes, Coupons or under the Trust Deed.

10. Meetings of Noteholders, Modification, Waiver and Substitution

(a) Meetings of Noteholders

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

cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons holding or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Arrears of Interest on the Notes, (ii) to reduce or cancel the principal amount of the Notes, (iii) to reduce the rate or rates of interest or Arrears of Interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any interest Amount in respect of the Notes, (iv) to vary the currency or currencies of payment or denomination of the Notes, (v) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (vi) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (vii) to modify Condition 2, in which case the necessary quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding.

The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed made in the circumstances described in Condition 5(c) or Condition 5(d) in connection with the substitution or variation of the Notes so that they remain or become Qualifying Tier 2 Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 5(c) or Condition 5(d), as the case may be. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

(b) *Modification of the Trust Deed or the Agency Agreement*

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of these Conditions and the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions and the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders.

Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable thereafter.

(c) *Notice to the Relevant Regulator*

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless (to the extent then required by the Relevant Regulator or the Relevant Rules) the Issuer shall have given at least one month's prior written notice to,

and received consent or no objection from, the Relevant Regulator (or such other period of notice as the Relevant Regulator may from time to time require or accept).

(d) Substitution

The Trustee may agree with the Issuer, without the consent of the Noteholders or the Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Condition 2 of any person or persons incorporated in any country in the world (the “**Substitute Obligor**”) in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed, the Notes and the Coupons provided that:

- (i) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed, the Notes and the Coupons, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in the Trust Deed and on the Notes and the Coupons, as the principal debtor in place of the Issuer (or of any previous Substitute Obligor, as the case may be);
- (ii) (unless the successor in business (as defined in the Trust Deed) of the Issuer is the Substitute Obligor) the obligations of the Substitute Obligor under the Trust Deed, the Notes and the Coupons are guaranteed by the Issuer (or the successor in business of the Issuer) on a subordinated basis equivalent to that referred to in Condition 2 and in the Trust Deed and in a form and manner satisfactory to the Trustee, and provided further that the obligations of such guarantor shall be subject to a solvency condition equivalent to that set out in Condition 2(b), such guarantor shall not exercise rights of subrogation or contribution against the Substitute Obligor without the consent of the Trustee and the only event of default applying to such guarantor shall be an event of default equivalent to that set out in Condition 9(a).
- (iii) the directors of the Substitute Obligor or other officers acceptable to the Trustee certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected (and the Trustee may rely absolutely on such certification without liability to any person and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer);
- (iv) (without prejudice to the rights of reliance of the Trustee under sub-paragraph (iii) above) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;
- (v) (without prejudice to the generality of sub-paragraph (i) above) the Trustee may in the event of such substitution agree, without the consent of the Noteholders or Couponholders, to a change in the law governing the Trust Deed and/or the Notes and/or the Coupons, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders;

- (vi) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the “**Substituted Territory**”) other than the territory or any such authority to the taxing jurisdiction of which the Issuer is subject generally (the “**Issuer’s Territory**”), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 7 with the substitution for the references in that Condition and in Condition 5(c) to the Issuer’s Territory of references to the Substituted Territory whereupon the Trust Deed, the Notes and the Coupons will be read accordingly; and
- (vii) the Issuer and the Substitute Obligor comply with such other requirements as are reasonable in the interests of the Noteholders, as the Trustee may direct.

Any substitution pursuant to this Condition 10 shall be subject (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator.

11. Entitlement of the Trustee

In connection with any exercise of its functions (including but not limited to those referred to in Condition 10), the Trustee shall have regard to the interests of the Noteholders as a class and the Trustee shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any such exercise as aforesaid, no Noteholder or Couponholder shall be entitled to claim, whether from the Issuer, the Substitute Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Noteholders or Couponholders except to the extent already provided in Condition 7 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

12. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including:

- (i) provisions relieving it from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction; and
- (ii) provisions limiting or excluding its liability in certain circumstances. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial

standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trustee may rely without liability to Noteholders on a report, confirmation or certificate or opinion or any advice of any accountants, financial advisers, financial institution or other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, opinion, confirmation or certificate or advice and such report, opinion, confirmation, certificate or advice may, where so provided in the Trust Deed, be binding on the Trustee and the Noteholders.

13. Replacement of Notes and Coupons

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

14. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

15. Limitation on Trustee actions

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion, be contrary to any law of that jurisdiction.

Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

16. Notices

Notices to Noteholders shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the Financial Times). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18. Definitions

As used herein:

“**Additional Amounts**” has the meaning given to it in Condition 7;

“**Approved Winding-up**” means a solvent winding-up of the Issuer solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (ii) do not provide that the Notes shall thereby become payable;

“**Arrears of Interest**” has the meaning given to it in Condition 4;

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

“**Business Day**” has the meaning given to it in Condition 6(d);

“**Capital Disqualification Event**” is deemed to have occurred if, as a result of any change to (or change to the interpretation by any court or authority entitled to do so of) the Relevant Rules, the entire principal amount of the Notes is fully excluded from counting as Tier 2 Capital for the purposes of the Issuer or all or any part of the Group (which part includes the Issuer and at least one other member of the Group), whether

on a solo, group or consolidated basis, except (in either case) where such non-qualification is only as a result of any applicable limitation on the amount of such capital;

“**Directors**” means the directors of the Issuer;

“**EEA Regulated Market**” means a market as defined by Article 4.1 (14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments, as amended;

“**European Economic Area**” or “**EEA**” means the countries comprising the European Union together with Norway, Liechtenstein and Iceland;

“**Excluded Change**” means the introduction of legislation implementing the proposals announced originally in the 2016 UK Budget and confirmed in the 2016 UK Autumn Statement (and outlined in the May 2016 consultation document on the “tax deductibility of corporate interest expense”) to limit by reference to a specified measure of earnings the tax relief that companies can claim for their UK interest expenses;

“**Existing Undated Securities**” means the £330,000,000 Callable Subordinated Perpetual Guaranteed Bonds issued by the Issuer on 16 December 2004 with ISIN XS0208374891;

“**Extraordinary Resolution**” has the meaning given in the Trust Deed;

“**FSMA**” means the UK Financial Services and Markets Act 2000, as amended from time to time;

“**Group**” means, at any time, the Group Holding Company and its Subsidiaries at such time;

“**Group Holding Company**” means the ultimate insurance holding company of the Issuer that is subject to consolidated supervision by the Relevant Regulator for the purposes of the Relevant Rules (such ultimate insurance holding company being, as at the Issue Date, The British United Provident Association Limited);

“**Group Insurance Undertaking**” means an insurance undertaking within the meaning of the Relevant Rules whose data is included for the purposes of the calculation of the Solvency Capital Requirement of the Group pursuant to the Relevant Rules;

“**Group Supervisor**” means the regulatory authority exercising group supervision over the Group in accordance with the Relevant Rules;

“**Insolvent Insurer Winding-up**” means (a) the winding-up of any Group Insurance Undertaking; or (b) the appointment of an administrator of any Group Insurance Undertaking, in each case where the Issuer has determined, acting reasonably, that the Policyholder Claims of that Group Insurance Undertaking may or will not all be met in full;

“**insurance holding company**” has the meaning given to it in the Relevant Rules;

“**insurance undertaking**” has the meaning given to it in the Relevant Rules;

“**Interest Payment Date**” has the meaning given to it in Condition 3(a);

“**Issue Date**” means 8 December 2016, being the date of the initial issue of the Notes;

“**Junior Creditors**” means creditors of the Issuer whose claims rank, or are expressed to rank junior to, the claims of the Noteholders including holders of Junior Securities;

“**Junior Securities**” has the meaning given to it in Condition 2(a);

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

“**Mandatory Interest Deferral Date**” means each Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest was made on such Interest Payment Date;

“**Maturity Date**” means 8 December 2026;

“**Minimum Capital Requirement**” means the Minimum Capital Requirement or the group Minimum Capital Requirement (as applicable) referred to in, or any other capital requirement howsoever described in, the Relevant Rules;

“**Pari Passu Creditors**” means creditors of the Issuer whose claims rank, or are expressed to rank, *pari passu* with the claims of the Noteholders, including holders of Pari Passu Securities;

“**Pari Passu Securities**” has the meaning given to it in Condition 2(a);

“**Policyholder Claims**” means, in respect of a Group Insurance Undertaking, claims of the policyholders of that Group Insurance Undertaking and beneficiaries under contracts of insurance written by that Group Insurance Undertaking in a winding-up, liquidation or administration of that Group Insurance Undertaking to the extent that those claims relate to any debt to which that Group Insurance Undertaking is, or may become, liable to a policyholder or such a beneficiary pursuant to a contract of insurance, including all amounts to which policyholders or such beneficiaries are entitled under applicable legislation or rules relating to the winding-up or administration of insurance companies to reflect any right to receive, or expectation of receiving, benefits which such policyholders or such beneficiaries may have;

“**pounds sterling**” or “**£**” means the lawful currency of the UK;

“**Qualifying Tier 2 Securities**” means securities issued directly by the Issuer or indirectly and guaranteed by the Issuer (such guarantee to rank on a subordinated basis equivalent to that referred to in Condition 2 and in the Trust Deed) that:

- (i) have terms not materially less favourable to a holder than the terms of the Notes, as reasonably determined by the Issuer, and provided that a certification to such effect (including in respect of the matters specified in (1) to (7) below) signed by two Directors shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without liability to any person) prior to the issue of the relevant securities, provided that they shall (1) contain terms which comply with the then current requirements of the Relevant Regulator in relation to Tier 2 Capital; (2) bear at least the same rate of interest from time to time applying to the Notes and preserve the Interest Payment Dates; (3) contain terms providing for mandatory deferral of payments of interest and/or principal only if such terms are not materially less favourable to a holder thereof than the mandatory interest and/or principal deferral provisions contained in these Conditions; (4) rank senior to, or *pari passu* with, the ranking of the Notes; (5) provide for the same Maturity Date and preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; (6) not contain any term which provides for, requires or entitles the Issuer to effect any loss absorption through the write-down of the nominal amount of Qualifying Tier 2 Securities or conversion of such Qualifying Tier 2 Securities into shares; and (7) preserve any existing rights under these Conditions to any Arrears of Interest and any other amounts payable under the Notes which, in each case, has accrued to Noteholders and not been paid; and
- (ii) are listed or admitted to trading on the London Stock Exchange, the Luxembourg Stock Exchange or such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee;

“Recognised Stock Exchange” means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time;

“Regulatory Capital Requirements” means any applicable capital resources requirement or applicable overall financial adequacy rule (or equivalent) required by the Relevant Regulator, as any such requirement or rule is in force from time to time;

“Regulatory Deficiency Interest Deferral Event” means any event (including, without limitation, any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, all or part of the Group (which part includes the Issuer and at least one other member of the Group) or any insurance undertaking within the Group to be breached and such breach is an event) which under the Relevant Rules means that the Issuer must defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes (on the basis that the Notes are intended to qualify as Tier 2 Capital under the Relevant Rules);

“Regulatory Deficiency Redemption Deferral Event” means any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, all or part of the Group (which part includes the

Issuer and at least one other member of the Group) or any insurance undertaking within the Group to be breached and the continuation of such Insolvent Insurer Winding-up is, or as the case may be, such breach is an event) which under the Relevant Rules means that the Issuer must defer or suspend repayment or redemption of the Notes (on the basis that the Notes are intended to qualify as Tier 2 Capital under the Relevant Rules);

“**Relevant Date**” has the meaning given to it in Condition 7;

“**Relevant Regulator**” means the UK Prudential Regulation Authority or such successor or other authority having primary supervisory authority with respect to prudential matters in relation to the Issuer and/or the Group;

“**Relevant Rules**” means, at any time, any legislation, rules or regulations (whether having the force of law or otherwise) then applying to the Issuer or the Group relating to own funds, capital resources, capital requirements, financial adequacy requirements or other prudential matters (including, but not limited to, the characteristics, features or criteria of any of the foregoing) and without limitation to the foregoing, includes (to the extent then applying as aforesaid) Solvency II and any legislation, rules or regulations of the Relevant Regulator relating to such matters;

“**Senior Creditors**” means (a) creditors of the Issuer who are unsubordinated creditors of the Issuer including all policyholders of the Issuer and all beneficiaries under contracts of insurance written by the Issuer (for the avoidance of doubt, the claims of policyholders and such beneficiaries shall include all amounts to which policyholders or such beneficiaries are entitled under applicable legislation or rules relating to the winding-up of insurance companies to reflect any right to receive or expectation of receiving benefits which policyholders or such beneficiaries may have) and (b) other creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those whose claims constitute, or would but for any applicable limitation on the amount of any such capital, constitute Tier 1 Capital or Tier 2 Capital, whose claims are in respect of the Existing Undated Securities or whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders);

“**Solvency Capital Requirement**” means the Solvency Capital Requirement or the group Solvency Capital Requirement (as applicable) referred to in, or any other capital requirement howsoever described in, the Relevant Rules;

“**Solvency II**” means the Solvency II Directive and any implementing measures adopted pursuant to the Solvency II Directive including, without limitation, the Solvency II Regulation (for the avoidance of doubt, whether implemented by way of a regulation, a directive or otherwise);

“**Solvency II Directive**” means Directive 2009/138/EC of the European Union of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) and which must be transposed by Member States of the European Economic Area pursuant to Article 309 of Directive 2009/138/EC;

“**Solvency II Regulation**” means Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking up and pursuit of the business of Insurance and Reinsurance (Solvency II);

“**Subsidiary**” has the meaning given to it under Section 1159 of the Companies Act 2006 (as amended from time to time);

“**Tax Law Change**” has the meaning given to it in Condition 5(c)(i);

“**Tier 1 Capital**” has the meaning given to it for the purposes of the Relevant Rules;

“**Tier 2 Capital**” has the meaning given to it for the purposes of the Relevant Rules;

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

“**UK Listing Authority**” means the UK Financial Conduct Authority in its capacity as the UK listing authority for the purposes of FSMA and, as applicable, any successor authority when acting as the UK competent listing authority for the purposes of Part VI (Official Listing) of FSMA or otherwise.

19. Governing Law

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

Overview of the Notes while in Global Form

*The Notes will be represented initially by a single temporary global Note in bearer form, without interest coupons (the “**Temporary Global Note**”) which will be issued in new global note (“**NGN**”) form. The Temporary Global Note will be deposited with a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”) on or about the Issue Date. The Temporary Global Note will be exchangeable on or after 18 January 2017 for a permanent global Note in bearer form, without interest coupons, (the “**Permanent Global Note**” and, together with the Temporary Global Note, the “**Global Notes**”) upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Note. The Global Notes will be exchangeable for definitive Notes with Coupons attached only in the limited circumstances specified therein (the “**Definitive Notes**”).*

Notes and Coupons will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code.”.

Each Accountholder (as defined below) must look solely to the relevant Clearing System (as defined below) (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note and in relation to certain other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of the relevant Clearing System. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and such obligations of the Issuer will be discharged by payment to or to the order of the bearer of such Global Note in respect of each amount so paid.

The Global Notes contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions.

1. Nominal Amount and Exchange

The nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear and/or Clearstream, Luxembourg or any alternative clearing system approved by the Trustee (the “**Alternative Clearing System**”) (each a “**relevant Clearing System**”). The records of each relevant Clearing System shall be conclusive evidence of the nominal amount of Notes represented by the Global Notes and a statement issued by any relevant Clearing System at any time shall be conclusive evidence of the records of that relevant Clearing System at that time.

Interests recorded in the records of the relevant Clearing System in the Temporary Global Note are exchangeable in whole or in part for interests recorded in the records of the relevant Clearing System in the Permanent Global Note on or after a date which is expected to be February 2017 upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for Definitive Notes only if:

- (a) an Event of Default (as set out in the Trust Deed) has occurred; or
- (b) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no Alternative Clearing System is available; or
- (c) the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) of the United Kingdom or as a result of a change in the practice of any relevant Clearing System which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of the Permanent Global Note, acting on the instructions of one or more of the Accountholders (as defined below) or the Trustee, may give notice to the Issuer and (in the case of (c) above) the Issuer may give notice to the Trustee and the Noteholders, of its intention to exchange the Permanent Global Note for Definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Note may or, in the case of (c) above, shall surrender the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Note the Issuer will deliver (free of charge to the bearer), or procure the delivery of, an equal aggregate principal amount of Definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal, listing authority and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant Definitive Notes.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in minimum denominations of £100,000 and higher integral multiples of £1,000 up to a maximum of £199,000, but will in no circumstances be issued to Noteholders who hold Notes in the relevant Clearing System in amounts that are less than £100,000.

In this Prospectus, “**Exchange Date**” means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (b) or (c) above, in the place in which the relevant Clearing System is located.

2. Payments

On and after 18 January 2017, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will be made to its holder. The Issuer shall procure that details of each such payment shall be entered pro rata in the records of the relevant Clearing System, and, in the case of payments of principal, the nominal amount of the Notes will be reduced accordingly. Each payment so made will discharge the Issuer’s obligations in respect thereof. Any failure to make the entries in the

records of the relevant Clearing System shall not affect such discharge. Payment on the Permanent Global Note falling due after the Exchange Date, unless exchange of the Permanent Global Note for definitive Notes is improperly withheld or refused by or on behalf of the Issuer. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. Calculation of interest

Notwithstanding the provisions of the final paragraph of Condition 3(c), for so long as all of the Notes are represented by a Global Note, interest shall be calculated on the aggregate principal amount of the Notes represented by such Global Note (and not per £1,000 in principal amount), but otherwise shall be calculated in accordance with Condition 3.

4. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held in a relevant Clearing System, notices to Noteholders may be given by delivery of the relevant notice to that relevant Clearing System for communication to the relative Accountholders (or otherwise in such manner as the Trustee, the Principal Paying Agent and the relevant Clearing System may approve for this purpose) rather than by publication as required by Condition 16 provided that, so long as the Notes are admitted to listing or trading on any stock exchange, the requirements of such stock exchange have been complied with. Any such notice shall be deemed to have been given to the Noteholders on the day which is one business day, being a day on which banks are generally open, in Brussels and Luxembourg, after the date on which such notice is delivered to the relevant Clearing System as aforesaid.

5. Accountholders

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of a relevant Clearing System, each person (other than a relevant Clearing System) who is for the time being shown in the records of the relevant Clearing System as the holder of a particular principal amount of such Notes (each an “**Accountholder**”) (in which regard any certificate or other document issued by a relevant Clearing System as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to the relevant Clearing System for its share of each payment made to the bearer of the relevant Global Note.

6. Prescription

Claims against the Issuer for payment in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five

years (in the case of interest including, without limitation, Arrears of Interest) from the Relevant Date (as defined in Condition 7).

7. Cancellation

On cancellation of any Note represented by a Global Note and required by the Conditions of the Notes to be cancelled following its redemption or purchase, the Issuer shall procure that details of such cancellation shall be entered in the records of the relevant Clearing System and, upon such entry being made, the principal amount of the applicable Global Note recorded in the records of the relevant Clearing System shall be reduced by the aggregate principal amount of the Notes so cancelled.

8. Authentication and Effectuation

The Temporary Global Note and the Permanent Global Note shall not become valid or enforceable for any purpose unless and until it has been authenticated by or on behalf of the Principal Paying Agent and effectuated by the entity appointed as Common Safekeeper by the relevant Clearing Systems.

9. Euroclear and Clearstream, Luxembourg

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of the relevant Clearing System.

References in the Global Notes to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee in which the Notes are held from time to time.

Business Description

The Issuer

The Issuer, Bupa Finance plc, is the holding company for all the operating subsidiaries in a leading international healthcare group. Bupa Finance plc is wholly owned by its parent company, The British United Provident Association Limited ("**Bupa**"), which is the ultimate parent company. All of Bupa's operating subsidiaries are owned by the Issuer, and except in the sections entitled "Overview of the Principal Features of the Notes" and "Terms and Conditions of the Notes", references in this Prospectus to the "**Group**" are references to the Issuer and its subsidiaries unless otherwise stated and references to the "**Bupa Group**" are references to Bupa and its subsidiaries (including the Group).

The Group offers personal and company-financed health insurance and medical subscription products, runs care homes, retirement villages, hospitals, primary care centres and dental clinics and also provides workplace health services, health assessments and long-term condition management services. As at 30 June 2016, the Group employed approximately 84,000 people, principally in the UK, Australia, Spain, Poland, New Zealand and Chile, as well as Saudi Arabia, Hong Kong, India, Thailand and the USA.

The Issuer was incorporated as a public limited company of indefinite duration on 13 January 1993 in England and Wales under the Companies Act 1985 (as amended). All of the issued share capital of the Issuer is beneficially owned by Bupa. The registered address of the Issuer is Bupa House, 15-19 Bloomsbury Way, London WC1A 2BA and the telephone number of the Issuer is +44 (0) 20 7656 2000.

Bupa

Bupa, the parent company of the Issuer, is a company limited by guarantee without share capital. The Board of Bupa has a majority of independent Non-Executive Directors. Where appropriate, Bupa adheres to the corporate governance principles set out in the UK Corporate Governance Code published by the Financial Reporting Council in 2014.

History of Bupa and the Group

In April 1947 (the year before the National Health Service ("**NHS**") began operation), 17 provident associations amalgamated to form Bupa. Bupa was founded with the objects of preventing, relieving and curing sickness and ill-health of every kind and promoting health in any way. At that time the organisation operated solely in the field of private health insurance serving just 38,000 customers at the beginning of 1948.

In 1989, Bupa acquired Sanitas S.A. de Seguros, now Spain's second largest private medical insurer.

During 1996 and 1997, Bupa made a series of acquisitions in the UK care home sector and established itself as a market leading care home operator. Bupa now owns or operates over 280 homes and over 25 retirement villages in the UK, caring for around 43,000 people.

Maintaining its focus on bringing high quality healthcare services to a wider circle of customers with the aim of helping them to enjoy longer, healthier, happier lives, the Group has undergone a significant transformation in recent years.

In 2007, the Group completed the sale of its UK hospitals business. The scale of both its UK hospitals and insurance businesses meant that they were becoming increasingly constrained by being part of the same group. UK competition law required them to compete at arm's length so neither were able to benefit from common ownership.

Significant acquisitions followed these disposals, the largest of which was the merger of the Group's Australian insurance business with the insurance group MBF to form that country's second largest private medical insurer. During 2008, the Group also completed its acquisition of DCA Aged Care Group, a care homes business with operations in Australia and New Zealand, as well as taking a long lease over a standalone private hospital in London, The Bupa Cromwell Hospital.

Max Bupa was launched in India in 2010, whilst Bupa Australia brought together the insurance brands MBF, HBA and Mutual Community under the Bupa brand. The Group continued to build care homes in Australia, Spain, the UK and New Zealand. In addition, Sanitas acquired CIMA, a hospital in Barcelona, to provide better healthcare to customers in the region.

In recent years, the Group has strengthened its foothold in new business sectors and geographic regions. This included the acquisitions in 2013 of LUX MED, the leading provider of private medical subscriptions, diagnostics and treatment clinics in Poland, of Dental Corporation, Australia and New Zealand's largest dental provider, of Quality HealthCare, a leading private clinic network in Hong Kong and of a 49% stake in Highway to Health, Inc., a US company that specialises in providing international health insurance for US residents planning to live or work abroad, and the acquisition in 2014 of a 56% stake in Cruz Blanca, one of Chile's leading healthcare groups. The Group also made continued investment in organic growth, particularly in dentistry in Spain and the UK.

Recent Developments

In the first half of 2016, the Group became the sole owner of Cruz Blanca (now Bupa Chile) and increased its ownership of Max Bupa, in India, to 49%. In October 2016, Bupa Global expanded its international reach by opening a new office in Zurich, Switzerland. This opening followed the approval of a new insurance licence, enabling Bupa Global to sell international private medical insurance policies to corporate customers based in Switzerland.

On 1 July 2016, following approval from the UK's Competition and Markets Authority, the Group announced the completion of the sale of Bupa Home Healthcare in the UK to Celesio, a leading provider of healthcare services to the NHS.

On 18 November 2016, the Group announced it had agreed to acquire Oasis Dental Care, the UK's leading private dental provider, from Bridgepoint, a European private equity group, for consideration of £835m. The acquisition supports the Group's strategy to offer customers high quality dental services. Following the acquisition, the Group will become a major dental provider

in the UK's £7.1bn¹ dental market, with over 2m customers and 420 clinics. Oasis Dental Care is the second largest dental provider in the UK, and the only branded operator of scale in its market, with 380 practices, serving both the private and public sectors in equal measure. Oasis Dental Centre had annual revenue of £277m for the financial year 2015/16, employs more than 6,000 people and serves 2m active patients in the UK. The Group has financing in place in the form of senior, unsecured bank loans to fund the consideration payable for the transaction, which is expected to complete in the first quarter of 2017, subject to regulatory approvals.

Today, the Group is an international healthcare company with significant operations in Europe, the Americas, Asia and Australasia with over 65% of its business revenues earned from international operations. As at 31 December 2015, the Group served more than 32m customers in more than 190 countries across the world and employed approximately 84,000 people.

The Business of the Group

The principal activities of the Group are the operation of personal and company-financed health insurance and medical subscription products and the provision of healthcare facilities including care homes, retirement villages, hospitals, primary care centres and dental clinics and workplace health services, health assessments and long-term condition management services.

In the UK, the Group is the largest private medical insurer and the second largest owner-operator of care homes. It has the largest international business of any British-based independent healthcare organisation.

The Group operates a broad spread of healthcare businesses and has significant operations in Europe, the Americas, Asia and Australasia.

In 2015, the Group saw its revenues increase by 6% to £9.83bn at constant exchange rates (CER)² (FY 2014: £9.27bn). Underlying profit before taxation³ decreased by 1% to £668.7m (FY 2014: £676.2m). Customer numbers were up 12% to 32.2m (FY 2014: 28.7m). Profit before taxation was down 34% to £461.9m (FY 2014: £695.2m) at actual exchange rates (AER). Net cash generated from operations decreased to £896.5m (FY 2014: £910.6m) at AER. Leverage increased to 28.9% (FY 2014: 28.5%).

In the six months ended 30 June 2016, the Group saw its half year revenues increase by 7% to £5.3bn (HY 2015: £5.0bn). Underlying profit before taxation for the half year increased by 2% to £303.8m (HY 2015: £298.4m). Customer numbers were up 11% to 28.2m (HY 2015: 25.3m). Profit before taxation for the half year was down 38% to £185.7m (HY 2015: £297.5m) at AER. Net cash generated from operations for the half year increased by 14% to £547.0m (HY 2015: £480.2m) at AER. Leverage decreased to 25.8% (HY 2015: 28.8%).

¹ 2015/16 figures are estimates by L.E.K. Consulting.

² All figures presented at constant exchange rates unless otherwise stated

³ Underlying profit before tax is adjusted for amortisation and impairment of intangible assets and goodwill arising on business combinations, impairment of goodwill, net property revaluation gains or losses, realised and unrealised foreign exchange gains and losses, gains or losses on return seeking assets, profit or loss on sale of businesses and fixed assets, restructuring costs, and transaction costs on acquisitions and disposals.

At 31 December 2015, the Insurance Groups Directive (“**IGD**”) regime was still applicable and capital resources, for the regulated group, comprising the Bupa Group, were £2.3bn (FY 2014: £2.6bn). This represented a solvency coverage ratio of 267% (2014: 319%). Since 1 January 2016, the Bupa Group has been subject to the Solvency II regulatory regime, which supersedes the IGD and requires the Bupa Group to hold sufficient eligible own funds to cover its Solvency Capital Requirement (“**SCR**”), which takes account of all the risks in the Bupa Group, including those related to non-insurance businesses. The estimated Solvency II surplus capital was £1.3bn as at 31 December 2015 and £1.5bn as at 30 June 2016⁴. The Bupa Group’s SCR is calculated in accordance with the Standard Formula specified in the Solvency II legislation. The Bupa Group has obtained approval from the Prudential Regulation Authority to substitute the insurance premium risk parameter in the Standard Formula with an Undertaking Specific Parameter (“**USP**”) which reflects Bupa’s own loss experience. At least annually, the Group carries out an Economic Capital Assessment (“**ECA**”) in which it makes its own quantification of how much capital is required to support its risks. The ECA is used to assess how well the Standard Formula SCR reflects the Bupa Group’s actual risk profile.

The Solvency II surplus capital of the Bupa Group was £1.3bn as at 31 December 2015 and estimated at £1.5bn as at 30 June 2016. The corresponding solvency ratios were 178% at 31 December 2015 and 180% at 30 June 2016.⁵ The Bupa Group’s solvency ratio has a low sensitivity to market risks. At 31 December 2015, none of the following movements would have moved the ratio by more than 1%: a 100 basis point increase/decrease in interest rates, a 100 basis point increase in credit spreads, a 20% fall in equity values and a 10% appreciation or depreciation in sterling. A fall in property values of 10% would have reduced the Bupa Group’s solvency ratio to 168%.

The Group is organised on the basis of four market units (“**Market Units**”) covering different geographic regions or areas of business: Australia and New Zealand, the UK, Europe and Latin America, and International Markets, supported by a corporate centre of specialist functions (“**Corporate Centre**”). The International Markets and Europe and Latin America Market Units were created in September 2016 to merge the previous International Development Markets (IDM) and Bupa Global Market Units and to replace the Spain and Latin America Domestic Market Unit. As part of this change in structure, LUX MED, its medical subscriptions business in Poland, was moved from IDM into the new Europe and Latin America Market Unit. This change is designed to simplify the structure by leveraging the parallels and international capabilities within each Market Unit.

The Bupa Group’s Capital Management Policy (which also applies to the Issuer) defines the principles by which the Bupa Group’s as well as individual legal entities’ capital will be managed to help ensure the Bupa Group’s capital management objective is achieved. This policy also defines the governance process for deploying and repatriating capital across the Bupa Group.

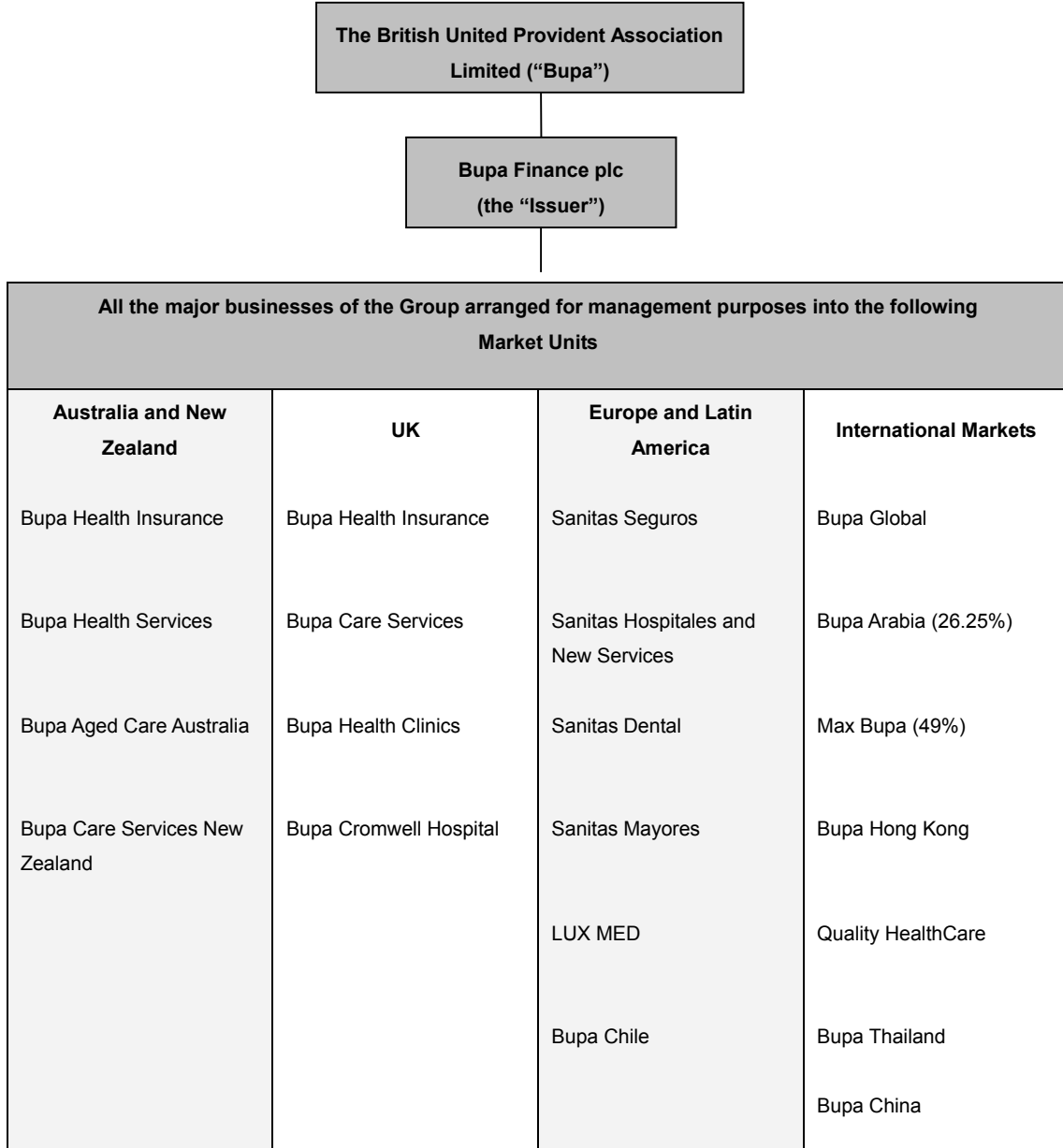
The Bupa Group’s stated capital management objective is to maintain sufficient capital to protect the interests of its customers, bond investors, regulators and trading partners while

⁴ The issuer is not a regulated entity and therefore does not itself have to meet a solo Solvency Capital Requirement.

⁵ The Solvency II Capital Position (Own Funds and Solvency Capital Requirement) and related disclosures as at 30 June 2016 are estimated values.

deploying capital efficiently and managing risk to enable the Bupa Group to deliver its purpose in a sustainable manner.

The following chart shows, in simplified form, the structure of Bupa, the Group and the Market Units:



Australia and New Zealand

The Australia and New Zealand Market Unit is comprised of four business units:

- Bupa Health Insurance, a leading health insurance provider in Australia, which also offers health insurance for overseas workers and visitors;

- Bupa Health Services, a health provision business, which comprises Bupa Dental, Bupa Optical, Bupa Medical Visa Services, Bupa Medical TeleHealth and Bupa Medical GP Clinics;
- Bupa Aged Care Australia, the largest privately-owned residential aged care provider, caring for almost 11,000 residents each year across 70 homes; and
- Bupa Care Services New Zealand, a leading aged care provider, caring for around 24,000 people a year in 60 homes, 32 retirement villages, seven rehabilitation sites and through its personal medical alarm network.

In 2015, the Australia and New Zealand Market Unit saw a combined 8% growth in revenues to £3,648.4m and customer numbers increased 9% to 6.2m as a result of an expansion of the Group's provision businesses through acquisitions, opening new aged care homes and developing new services. Underlying profits rose 2% to £299m and benefitted from the introduction of a range of initiatives to enhance the customer experience and improve customer retention, including real-time credit card payments.

In the six months to 30 June 2016, the Australia and New Zealand Market Unit saw a combined 8% growth in revenues for the half year to £1,989.3m and customer numbers increased 4% to 5.3m. Underlying profits for the half year rose 10% to £143.8m.

UK

The UK Market Unit comprises four business units:

- Bupa Health Insurance, offering health insurance and health funding products;
- Bupa Care Services, caring for around 43,000 people each year in 283 homes and 27 retirement villages;
- Bupa Health Clinics, wellness centres, clinics, occupational health services and dental clinics; and
- Bupa Cromwell Hospital, Bupa's complex care hospital based in London, providing care for insured, self-pay and international patients.

In 2015, the UK Market Unit saw a 5% increase in revenues to £2,857.8m. UK customer numbers grew by 28% to 5.1m, a significant proportion of which was due to a strategic partnership between the Group and Benenden and two large corporate expansions. Underlying profit grew 6% to £188.6m due to strong management of operating and healthcare costs and growth in the health insurance business, Home Healthcare and Richmond Villages.⁶

⁶ The 2015 figures for the UK Market Unit include the Home Healthcare business unit, which was sold to Celasio on 1 July 2016.

In the six months to 30 June 2016, the UK Market Unit saw an 8% growth in revenues for the half year to £1,479.1m and customer numbers increased 33% to 4.8m. Underlying profits for the half year rose 24% to £73.4m.

Europe and Latin America⁷

The Europe and Latin America Market Unit replaced the Spain and Latin America Domestic Market Unit and comprises six business units:

- Sanitas Seguros, the second largest health insurance provider in Spain;
- Sanitas Hospitales and New Services, operating four private hospitals, 34 private medical clinics and two Public-Private Partnerships in Spain;
- Sanitas Dental, providing dental insurance services through 184 centres and third-party networks in Spain;
- Sanitas Mayores (previously known as Sanitas Residencial), caring for around 9,000 people every year in 39 care homes and three day care centres in Spain;
- LUX MED, the largest private healthcare business in Poland operating in health funding and provision; and
- Bupa Chile, a leading health insurer and provider with three hospitals and 37 medical clinics.

In 2015, the Europe and Latin America Market Unit (then known as the Spain and Latin America Domestic Market Unit) saw a 9% increase in revenues to £1,824.5m. Customer numbers grew by 6% to 5.2m. Underlying profit fell 42% to £80.6m.

In the six months to 30 June 2016, the Europe and Latin America Market Unit (then known as the Spain and Latin America Domestic Market Unit) saw a 7% increase in revenues for the half year to £1,034.9m and customer numbers increased 14% to 4.8m. Underlying profits for the half year fell 4% to £62.2m.

International Markets

The International Markets Market Unit replaced the International Development Markets and Bupa Global Market Units and comprises seven business units:

- Bupa Global, international health insurance, travel insurance and medical assistance provided worldwide to individuals, small businesses and global corporate customers. Bupa Global offers customers a global healthcare solution supported across five regions:
 - Bupa Global Greater China;

⁷ Figures presented in this Europe and Latin America section exclude LUX MED as they were published before the Spain and Latin America Domestic Market Unit became the Europe and Latin America Market Unit.

- Bupa Global Middle East, Africa and India;
 - Bupa Global Latin America;
 - Bupa Global North America - responsible for the Group's (49%) investment in Highway to Health, Inc. in the USA and the strategic global partnership with the Blue Cross and Blue Shield® Association;
 - Bupa Global Europe;
- Bupa Arabia, an associate company in which the Group has a 26.25% stake, and the largest health insurance business in Saudi Arabia;
 - Max Bupa, an associate between Bupa and Max India Limited in which Bupa holds a 49% stake, offering private medical insurance;
 - Bupa Hong Kong, a leading specialist private health insurer in Hong Kong;
 - Quality HealthCare, a leading private clinic network in Hong Kong;
 - Bupa Thailand, a leading specialist health insurer; and
 - Bupa China, the Group's representative office in China.

In 2015, the International Development Markets Unit saw an 8% increase in revenues to £551.1m. Customer numbers grew by 13% to 13.7m. Underlying profit increased 85% to £64.4m.

In the six months to 30 June 2016, the International Development Markets Unit saw a 12% increase in revenues for the half year to £312.4m and customer numbers increased 9% to 11.4m. Underlying profits for the half year increased 5% to £22.8m.

In 2015, Bupa Global saw a 5% decrease in revenues to £947.5m. Customer numbers fell by 5% to 2.0m. Underlying profit increased 3% to £110.0m.

In the six months to 30 June 2016, Bupa Global saw a 3% decline in revenues for the half year to £484.7m and customer numbers were flat at 1.9m. Underlying profits for the half year fell 40% to £33.2m.

Strategy

In 2016, the Group refreshed its strategy and remains focused on delivering value for money and great service and care to its customers. The Group's purpose is to help people live longer, healthier, happier lives, and its values shape how it acts and delivers for its customers and its people.

The three pillars to the Group's strategy are:

- Customers: to differentiate itself by becoming loved as a true customer champion in health and care.
- People: to deliver by being a place where its people love working and love its customers.

- Performance: to generate strong and sustainable performance fuelling its ability to meet the health and care needs of future customers.

The Group sees an opportunity for profitable growth in its current geographies, selectively expanding into new markets and leveraging its partnerships to grow and innovate. The Group remains focused on cost-efficiency and highly disciplined in capital management.

Management

Directors and Officers of the Issuer

The following is a list of Directors and Officers of the Issuer and the principal activities (if any) performed by them outside the Group, which are, or may be, significant with respect to the Issuer, as at the date of this Prospectus. The business address of each of the Directors and the Officer referred to below is at Bupa House, 15-19 Bloomsbury Way, London WC1A 2BA.

Name	Title	Principal activities performed by them outside of Bupa and the Group (if any)
Gareth Evans	Director	-
Keith Jennings	Director	-
Joy Linton	Director	-
Martin Potkins	Director	-
Charles Richardson	Director	-
Julian Sanders	Company Secretary	-

There are no potential conflicts of interest between the duties to the Issuer of the persons listed above and their private interests or other duties.

Taxation

United Kingdom Taxation

The comments below, which are of a general nature and are based on the Issuer's understanding of current United Kingdom tax law (as applied in England and Wales) and HM Revenue & Customs' published practice, relate only to the United Kingdom withholding tax treatment of payments in respect of the Notes and to United Kingdom stamp duty and stamp duty reserve tax ("SDRT"). They are not exhaustive. They do not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly advised to consult their own professional advisers.

Withholding tax

The Notes issued will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange, within the meaning of section 1005 Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List by the United Kingdom Listing Authority and are admitted to trading on the regulated market of the London Stock Exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest by the Issuer on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom income tax if the Notes are "regulatory capital securities" for the purposes of the Taxation of Regulatory Capital Securities Regulations 2013 (as amended) (the "**2013 Regulations**"). This is subject to there being no arrangements the main purpose, or one of the main purposes, of which is to obtain a tax advantage (as defined in section 1139 of the Corporation Tax Act 2010) for any person as a result of the application of the 2013 Regulations in respect of the Notes (the "**Anti-avoidance Condition**").

The Notes will constitute "regulatory capital securities" for the purposes of the 2013 Regulations if the Notes qualify, or have qualified, as Tier 2 items under Article 72 or 79 of the Commission Delegated Regulation (EU) 2015/35 (as amended from time to time).

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%), subject to any other available exemptions and reliefs (such as a direction by HM Revenue & Customs that interest may be paid without withholding, or with withholding at a reduced rate, to a specified Noteholder following an application by that Noteholder under a relevant double tax treaty).

Where Notes are issued at an issue price of less than 100 per cent. of their principal amount, any payments in respect of the accrued discount element on any such Notes will not be subject to any withholding or deduction for or on account of income tax.

Stamp Duty and SDRT

The transfer of Notes that are “regulatory capital securities” for the purposes of the 2013 Regulations as set out above and which satisfy the Anti-avoidance Condition is exempt from United Kingdom stamp duty and SDRT.

Subscription and Sale

Pursuant to a Subscription Agreement dated 6 December 2016 (the “**Subscription Agreement**”), Barclays Bank PLC and HSBC Bank plc (together the “**Joint Lead Managers**”, and each a “**Joint Lead Manager**”) have agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes at the issue price of 98.908 per cent. of their principal amount less commissions. The Joint Lead Managers are entitled to terminate and to be released and discharged from their obligations under the Subscription Agreement in certain circumstances prior to payment to the Issuer.

United States

The Notes have not been and will not 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 U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells 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.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented warranted and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

General

No action has been or will be taken by the Issuer or any of the Joint Lead Managers that would permit a public offering of the Notes or possession or distribution of this document or other offering material relating to the Notes in any jurisdiction where, or in any circumstances in

which, action for these purposes is required. This document does not constitute an offer and may not be used for the purposes of any offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised.

Neither the Issuer nor the Joint Lead Managers represent that the Notes may at any time lawfully be sold in or from any jurisdiction in compliance with any applicable registration requirements or pursuant to an exemption available thereunder or assumes any responsibility for facilitating such sales.

General Information

- (1) The net proceeds of the issue will be used by the Issuer for general corporate purposes, including the repayment of existing debt.
- (2) The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 152910371 and an ISIN Code of XS1529103712.
- (3) The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.
- (4) The yield of the Notes is 5.141 per cent., on a semi-annual basis. The yield is calculated as at the Issue Date on the basis of the issue price and the interest rate of 5.000 per cent. per annum. It is not an indication of future yield.
- (5) The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be up to £4,200.
- (6) It is expected that the applications for the Notes to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's regulated market will be granted on or about 8 December 2016 (subject only to the issue of the Temporary Global Note) and that such admission will become effective, and that dealings in the Notes on the London Stock Exchange will commence, on or about 9 December 2016.
- (7) The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a resolution of the board of directors of the Issuer passed on 28 November 2016.
- (8) The Trust Deed provides that the Trustee may rely on certificates or reports from any auditors or other parties in accordance with the provisions of the Trust Deed whether or not any such certificate or report or engagement letter or other document in connection therewith contains any limit on the liability of such auditors or such other party.
- (9) There has been no significant change in the financial or trading position of the Issuer or the Issuer and its subsidiaries, taken together since 30 June 2016 (the date of the Issuer's most recent financial statements), nor has there has been any material adverse change in the prospects of the Issuer or the Issuer and its subsidiaries, taken together since 31 December 2015.
- (10) There are no, nor have there been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had during the period of 12 months prior to the date of this document, a significant effect on the financial position or profitability of the Issuer or the Group.

- (11) The Prospectus will also be available for inspection on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/en-gb/pricesnews/marketnews/.
- (12) Copies of the annual report and audited consolidated financial statements of the Issuer for the years ended 31 December 2014 and 2015, of the half year statement of the Issuer for the six months ended 30 June 2016, and copies of this Prospectus, the Trust Deed and the Agency Agreement and the constitutional documents of the Issuer will be available for inspection at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.
- (13) KPMG LLP, Registered Auditors with the Institute of Chartered Accountants in England and Wales, have audited, and rendered an unqualified audit report on, in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and International Financial Reporting Standards, the consolidated financial statements of the Issuer, for the two years ended 31 December 2014 and 31 December 2015. KPMG LLP has no material interest in the Issuer.
- (14) There are no material contracts entered into other than in the ordinary course of the Issuer's business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes.
- (15) The Issuer does not intend to provide any post-issuance information in relation to any Notes.
- (16) Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and their affiliates in the ordinary course of business.

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