

PROSPECTUS dated 23 April 2013



## Bupa Finance plc

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

£500,000,000

5.00 per cent. Fixed Rate Subordinated Notes due 2023

Issue price: 99.371 per cent.

The £500,000,000 5.00 per cent. Fixed Rate Subordinated Notes due 25 April 2023 (the "Notes") are issued by Bupa Finance plc (the "Issuer") and constituted by a trust deed to be dated on or about 25 April 2013 (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 25 April 2013 (the "Issue Date") at the rate of 5.00 per cent. per annum, payable (subject to the following proviso) semi-annually in arrear on 25 April and 25 October in each year commencing on 25 October 2013; 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 25 April 2023 (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 implementing Solvency II, 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, *société anonyme* ("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 Baa3 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

LLOYDS BANK

THE ROYAL BANK OF SCOTLAND

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 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 Managers and the Trustee have not separately verified the information contained in this Prospectus. Neither the 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 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 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 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 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 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 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 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 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.

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**IN CONNECTION WITH THE ISSUE OF THE NOTES, THE ROYAL BANK OF SCOTLAND 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, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

### **Documents Incorporated by Reference**

This Prospectus should be read and construed in conjunction with the annual report and audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2011 and 31 December 2012 together, in each case, with the audit report thereon, 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 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 <http://www.bupa.com/investor-relations/financial-information>.

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

<b>Issue</b>	£500,000,000 5.00 per cent. Fixed Rate Subordinated Notes due 2023.
<b>Issuer</b>	Bupa Finance plc.
<b>Trustee</b>	HSBC Corporate Trustee Company (UK) Limited.
<b>Status and Subordination</b>	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.
<b>Solvency Condition</b>	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 " <b>Solvency Condition</b> "), 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.
<b>Interest</b>	The Notes will bear interest from (and including) the Issue Date at the rate of 5.00 per cent. per annum, payable (subject as provided under " <i>Deferral of Interest</i> " below) semi-annually in arrear on each Interest Payment Date.
<b>Interest Payment Dates</b>	25 April and 25 October of each year, starting on 25 October 2013.
<b>Deferral of Interest</b>	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><b>"Regulatory Deficiency Interest Deferral Event"</b> means any event (including, without limitation, any event which causes any Solvency 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</p>

Solvency II and/or under the Relevant Rules means that the Issuer must defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes (in order that the Notes qualify and/or on the basis that the Notes are intended to qualify as Tier 2 Capital under Solvency II without the operation of any grandfathering provisions). 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 25 April 2023.

**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, any event which causes any Solvency 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 Solvency II and/or under the Relevant Rules means that the Issuer must defer or suspend repayment or redemption of the Notes (in order that the Notes qualify and/or on the basis that the Notes are intended to qualify as Tier 2 Capital under Solvency II without the operation of any grandfathering provisions).

**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, 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 Directive or its Relevant Rules; the implementation of Solvency II or its Relevant Rules; or any change to (or a change to the interpretation by any court or authority entitled to do so) Solvency II or its Relevant Rules following their implementation:

- (i) the Notes are no longer capable of counting; or
- (ii) in the circumstances where such capability derives only from transitional or grandfathering provisions under the Directive, Solvency II or the Relevant Rules, as appropriate, less than 100 per cent. of the principal amount of the Notes outstanding at such time is 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 (other than the limitation set out in (ii) above). 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 Dated 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 Baa3 and BBB by Moody's Investors Service Ltd. and Fitch Ratings Ltd. respectively. The existing senior debt of the Issuer is rated Baa2 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” 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**

#### *Clinical governance risk*

Clinical risks are inherent in the Group’s activities. Monitoring these risks is mainly a divisional 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. The board of directors of Bupa (the “**Board**”) has a Medical Advisory Panel that advises it on medical issues and considers external perspectives from a number of leading clinicians and health professionals to help inform and develop the Group’s approach.

The Group is dedicated 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. Failure to fulfil these obligations or to adequately monitor clinical risks could lead to regulatory action against the Group and could result in 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.

#### *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, 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, pricing, and sectors, controls on underwriting and claims settlement, policy clarity and contract certainty, internal and external actuarial reviews and, in respect of US claims, 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 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, could result in a loss of revenue and could adversely affect the Group's results of operations.

In April 2012, the UK's Competition Commission began an investigation into the private healthcare market, which is investigating whether competition is working well in how private hospitals and medical consultants provide healthcare. The Group recognises that the investigation is necessary and an opportunity to preserve the long term sustainability of the private healthcare market and keep health insurance affordable. The Group will continue to submit data and information to the investigation and will await the publication of the provisional findings in June 2013. However, there can be no assurance that the findings of the investigation will be favourable to the Group or that the investigation will conclude that there is already effective competition in the markets in which the Group operates. Furthermore, there can be no assurance that competitive pressures will not increase following the investigation or due to the introduction of new laws or regulations as a result of the investigation each of which could adversely affect the Group's revenue and 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.

#### *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 the 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, which funds the fees of approximately 70% of UK residents. In the UK, staffing costs constitute over half of the Bupa care homes business's cost base and any increase in staffing costs, including an increase in the UK national minimum wage, that could not be recovered by increased charges to local authorities or privately funded residents could be an adverse impact on the financial results of the Group.

#### *Regulatory 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 and the Financial Conduct Authority. 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 and distribution channels and could increase the capital financing requirements of the Group. Furthermore, failure to comply with applicable laws and regulations could lead to financial or other penalties (such as fines, disciplinary actions, administrative proceedings etc.), to 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.

### *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, in particular with respect to aged care. 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.

### *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.

### *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.

#### *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 overseen by Bupa's Group Business Continuity Management ("**BCM**") Committee. 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 2012. However, the failure of the Group's business continuity plans to anticipate 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. 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 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 an ongoing development programme to drive improvement in products and services. 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.

#### *Economic market conditions*

Challenging economic conditions, particularly in Europe, increase the risks faced by the Group. Rising inflation, prolonged periods of low interest rates, credit rating reductions for investment counterparties and reduced gross domestic product 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.

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.

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.

#### *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 the Group has extensive plans in place 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. 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.

#### *Information Technology*

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 risk management function which monitors and manages specific risks across the IT estate, reporting to both senior management and Bupa's Group Risk department on a routine basis. The Group is continually undertaking work to integrate systems and in 2012 it delivered a "Cloud" based platform on which to host applications globally.

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 Financial Conduct Authority.

#### *Investment risk*

The Group's investments are overseen by Bupa's Group Treasury department in London under the supervision of the Treasury and Investment Committee, chaired by Bupa's Chief Financial

Officer, which also includes operational management and an independent director of Bupa Insurance Limited.

Most of the Group's investments are held in bank deposits and highly rated liquidity funds. Exposure to individual counterparties is restricted and, where possible, deposits are not placed with institutions rated less than AA-/AA-/Aa3 by Standard & Poor's, Fitch or Moody's. In an economic environment where interest rates are lower than historic norms, the investment income earned on these deposits is likely to be lower than in prior years.

The Group also holds a small return-seeking asset portfolio, consisting largely of investment grade bond funds, which is exposed to market volatility. The risk in this 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 at £3.6bn at 31 December 2012) 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 which would ultimately 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, asset securitisations and the senior and perpetual 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 earning for its funding requirements, could adversely affect the Group's business, results of operations and financial condition.

#### *Pension funding risk*

Bupa has significant defined 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

these 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 European Commission has been carrying out a wide-ranging review of the prudential regulation of insurers including regulatory capital, the calculation of technical provisions, valuation of assets and liabilities, and regulatory and public reporting. The new solvency framework for insurers now being developed at a European level is known as Solvency II. Solvency II and other significant changes in the prudential and other regulations to which the Group is subject entail the risk that the Group could be deemed to have lower surplus assets, which could in turn impact the Group's ability to fund growth.

It is intended that the Solvency II regime for insurers will apply more risk-sensitive standards to capital requirements, bring insurance capital requirements more closely in line with bank and investment firm capital requirements with a view to avoiding regulatory arbitrage, align regulatory capital with economic capital and bring about an enhanced degree of public disclosure. A central aspect of Solvency II is the focus on a supervisory review at the level of the individual firm.

The Group as a whole, as well as individual insurance entities within the Group, seek to maintain a prudent capital surplus over and above the applicable regulatory capital requirements. This amount is regularly reviewed in light of regulatory changes and the effect of ongoing business activities.

Solvency II will, among other things, cover the definition of capital and, accordingly, will set out the features which any capital (including subordinated notes) must have in order to qualify as regulatory capital. These features are not expected to be settled until, at the earliest, when Level 2 implementation measures relating to Solvency II are finalised and there can be no assurance that, following the initial publication of such details, the implementation measures will not be amended. Moreover, there is considerable uncertainty as to how the relevant regulators, including the Prudential Regulation Authority ("**PRA**") and the UK Financial Conduct Authority ("**FCA**") (and any successor authority or authorities), will interpret the Level 2 implementation measures.

***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 49 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.

The Issuer currently expects the Notes, upon the implementation of Solvency II, to qualify (but for any applicable limitations on the amount of such capital) as Tier 2 Capital. However, details of the implementation of Solvency II have not been finalised and are subject to change prior to the implementation of Solvency II. Accordingly, there is a risk that, upon implementation of Solvency II in the United Kingdom, the Notes will cease to qualify as Tier 2 Capital of the Issuer or of the regulatory group to which the Issuer belongs, which would entitle the Issuer to redeem the Notes early 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 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 (if any), 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. 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).

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 Dated Tier 2 Securities, without the consent of the Noteholders.

Whilst Qualifying Dated 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 Dated 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:

*EU Savings Directive*

Under European Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), each Member State of the European Union is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required, unless during such period those countries

elect otherwise, to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of other non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

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

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note or Coupon as a result of the imposition of such withholding tax. The Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to operate a withholding system pursuant to the Savings Directive or any law implementing or complying with or introduced to conform to such directive.

#### *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. 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 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 Baa3 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 £500,000,000 5.00 per cent. Fixed Rate Subordinated Notes due 2023 (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 25 April 2013 (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 25 April 2013 (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, Lower Tier 2 Capital (issued prior to Solvency II Implementation) or Tier 2 Capital (issued on or after Solvency II Implementation) (“**Pari Passu Securities**”) and shall rank in priority to the claims of holders of: (i) Undated Tier 2 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 5.00 per cent. per annum, payable semi-annually in arrear on 25 April and 25 October of each year, the first payment to be made on 25 October 2013 (each an “**Interest Payment Date**”). The first payment shall be in respect of the period from (and including) the Issue Date to (but excluding) 25 October 2013, 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 15 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 15, 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 Solvency II without the operation of any grandfathering provisions), 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. The Issuer shall notify the Trustee in writing and notify the Noteholders in accordance with Condition 15 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 a Regulatory Deficiency Redemption Deferral Event occurs less 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) if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or if a Regulatory Deficiency Redemption Deferral Event would occur if redemption is made on the Maturity Date or on the date specified for redemption in accordance with Condition 5(c) or Condition 5(d), as applicable.
- (iii) 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, 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) 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) and this Condition 5(a)(iii) 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.
- (iv) 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, then the Notes shall not be redeemed on such date and Condition 2(b) and Condition 5(a)(iii) shall apply *mutatis mutandis* to determine the date of the redemption of the Notes.
- (v) 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.

- (vi) 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. If, on or after Solvency II Implementation (on the basis that the Notes are intended to qualify as Tier 2 Capital under Solvency II without the operation of any grandfathering provisions), Solvency II does not require a redemption or purchase that is within five years of the Issue Date of the Notes to be funded out of the proceeds of a new issuance of capital of at least the same quality as the Notes, such a redemption or purchase will not be required to be so funded but such a redemption or purchase will be subject to 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 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 Lower 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 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 15, 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 15, 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 Dated

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 Dated 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 Dated 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 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 15, 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 15, 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 Dated 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 Dated 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 Dated 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 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**

The Issuer and any of its Subsidiaries for the time being may, subject to the Issuer having complied with relevant legal 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, 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 thereunder or official interpretations thereof.

### **(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, (ii) a Paying Agent having a specified office in a European Union Member State that will not be obliged to withhold or deduct tax whether pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such directive, any agreement between the European Union and any jurisdiction providing for equivalent measures or otherwise (so long as there is such a Member State) and (iii) 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 15.

**(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; or

**(d) *Payment to individuals***

where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such directive or any agreement between the European Union and any jurisdiction providing for equivalent measures; or

**(e) *Payment by another Paying Agent***

presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union (provided that there is such a Paying Agent appointed at the relevant time).

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.

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 (as defined in the Trust Deed) 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 become Qualifying Dated 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 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 provision of indemnification, security and prefunding to the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified, secured or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

#### **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. **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.

#### 16. **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.

#### 17. **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 (as defined in the Trust Deed) 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 Directive or its Relevant Rules; the implementation of Solvency II or its Relevant Rules; or any change to (or a change to the interpretation by any court or authority entitled to do so of) Solvency II or its Relevant Rules following their implementation:

- (i) the Notes are no longer capable of counting; or
- (ii) in the circumstances where such capability derives only from transitional or grandfathering provisions under the Directive, Solvency II or the Relevant Rules, as appropriate, less than 100 per cent. of the principal amount of the Notes outstanding at such time is capable of 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 (other than the limitation set out in (ii) above);

“**Directive**” means Directive 98/78/EC of the European Union as amended (from time to time);

“**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;

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

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

“**Group**” means The British United Provident Association Limited and its Subsidiaries;

“**Group Supervisor**” means the regulatory authority exercising group supervision over the Group in accordance with the Solvency II Directive;

“**insurance undertaking**” has the meaning given to it in the Solvency II Directive;

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

**“Issue Date”** means 25 April 2013, 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;

**“Lower Tier 2 Capital”** has the meaning given to it for the purposes of the Relevant Rules and shall following the implementation of Solvency II or any other change in law or any Relevant Rules such that Lower Tier 2 Capital ceases to be a separately recognised tier of capital resources, be deemed to be a reference to Tier 2 Capital;

**“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 25 April 2023;

**“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);

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

**“Qualifying Dated 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 in consultation with an independent investment bank of international standing, and provided that a certification to such effect (including as to the consultation with the independent investment bank and 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 Lower Tier 2 Capital (prior to Solvency II Implementation) or Tier 2 Capital (on or after Solvency II Implementation); (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 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 Dated Tier 2 Securities or conversion of such Qualifying Dated 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 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 Solvency II and/or under the Relevant Rules means that the Issuer must defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes (in order that the Notes qualify and/or on the basis that the Notes are intended to qualify, as Tier 2 Capital under Solvency II without the operation of any grandfathering provisions);

**“Regulatory Deficiency Redemption Deferral Event”** means any event (including, without limitation, any event which causes any Solvency 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 Solvency II and/or under the Relevant Rules means that the Issuer must defer or suspend repayment or redemption of the Notes (in order that the Notes qualify and/or on the basis that the Notes are intended to qualify, as Tier 2 Capital under Solvency II without the operation of any grandfathering provisions);

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

**“Relevant Regulator”** means the UK Regulator or, if the UK Regulator at any time ceases to be the Group Supervisor or the Supplementary Supervisor, such other

regulator as becomes the Group Supervisor for the purposes of Solvency II or the Supplementary Supervisor for the purposes of the Directive (as applicable);

**“Relevant Rules”** means any legislation, rules or regulations (whether having the force of law or otherwise) in the jurisdiction of the Relevant Regulator, implementing the Directive or, as applicable, Solvency II and includes any relevant prudential rules for insurers applied by the Relevant Regulator and any amendment, supplement or replacement of either thereof from time to time relating to the characteristics, features or criteria of own funds or capital resources;

**“Senior Creditors”** means (a) creditors of the Issuer who are unsubordinated creditors of the Issuer 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, Undated Tier 2 Securities or Lower Tier 2 Capital issued prior to Solvency II Implementation or Tier 2 Capital issued on or after Solvency II Implementation 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, Solvency II or the Relevant Rules;

**“Solvency II”** means the Solvency II Directive and any additional measures adopted to give effect to the Solvency II Directive (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 Implementation”** means the date from which legislation, rules or other measures implementing Solvency II in the UK (or, if the UK Regulator ceases to be the Supplementary Supervisor or ceases to be the Group Supervisor, in the jurisdiction of the replacement Supplementary Supervisor or of the replacement Group Supervisor, as applicable) are applied to the Issuer;

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

**“Supplementary Supervisor”** means the regulatory authority exercising supplementary supervision over the Group in accordance with the Directive;

**“Tax Event”** means an event of the type described in Condition 5(c)(i) or (ii);

**“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;

“**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;

“**UK Regulator**” means the UK Prudential Regulation Authority or any successor UK regulatory authority having prudential supervisory responsibilities with respect to the Issuer and/or the Group;

“**Undated Tier 2 Securities**” means Upper Tier 2 Capital issued prior to Solvency II Implementation (including, without limitation, the £330,000,000 Callable Subordinated Perpetual Guaranteed Bonds issued by the Issuer on 16 December 2004 with ISIN XS0208374891); and

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

## **18. 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, société anonyme (“**Clearstream, Luxembourg**”) on or about the Issue Date. The Temporary Global Note will be exchangeable on or after 4 June 2013 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 4 June 2013 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 4 June 2013, 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 15 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.

The Group offers personal and company-financed health insurance, runs hospitals, and provides workplace health services, home healthcare, health assessments and chronic disease management services as well as being a major international provider of nursing and residential care for elderly people. As at 31 December 2012, the Group employed approximately 53,000 people, principally in the UK, Australia, Spain, New Zealand and the USA, as well as Saudi Arabia, Hong Kong, India, Thailand, China and across Latin America.

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, including its Non-Executive Chairman. Where appropriate, Bupa adheres to the corporate governance principles set out in the UK Corporate Governance Code published by the Financial Reporting Council in June 2010 as amended from time to time.

Further governance over Bupa is exercised by around 100 association members who vote at the AGM as to director reappointments and the adoption of Bupa's financial statements. The association members are not entitled to any of the assets or income of Bupa or the Group. They do not receive a fee for their service or a share of profits or dividends.

### History of Bupa and the Group

In April 1947 (the year before the National Health Service ("**NHS**") began operation), a number of 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 300 homes in the UK more than 17,900 residents.

In 2004, the Issuer became the holding company of the Group.

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 hospital and the insurance businesses were becoming increasingly constrained by being part of the same group. 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 The Bupa Cromwell Hospital (a private hospital in London) and obtaining 100% ownership of Health Dialog, a chronic disease management business based in Boston.

In recent years, the Group acquired Bupa Home Healthcare and has continued to grow its operations in China, the Middle East, Thailand, Latin America and other developing markets. The Group has also expanded its care homes businesses in Australia and New Zealand.

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

### **Recent Developments**

In 2012, the Group strengthened its foothold in new business sectors and geographic regions. This included securing a second Public-Private Partnership ("**PPP**") in Spain through the acquisition of a 50% stake in Torrejón Hospital in Madrid and the acquisition of the remaining shares in its Manises Hospital partnership, continued investment in organic growth, particularly in dentistry in Spain and the UK and in its care homes businesses. The Group has recently agreed to acquire Dental Corporation, Australia and New Zealand's largest dental business, which is expected to be completed in 2013, subject to regulatory approval. Further, in February 2013 the Group completed the purchase of Innovative Care's 10 care homes, making Bupa Australia the country's largest private aged care provider with more than 5,600 beds in 60 homes, and on 11 April 2013, the Group completed the acquisition of LUX MED, Poland's largest private healthcare provider.

Today, the Group is an international healthcare company with significant operations in Europe, the Americas, Asia and Australasia with 70% of its business revenues earned from international

operations. As at 31 December 2012, the Group served more than 11.8m customers in more than 190 countries across the world and employed approximately 53,000 people.

### **The Business of the Group**

The principal activities of the Group are personal and company-financed health insurance, running hospitals, and providing workplace health services, home healthcare, health assessments and chronic disease management services as well as being a major international provider of nursing and residential care for elderly people.

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.

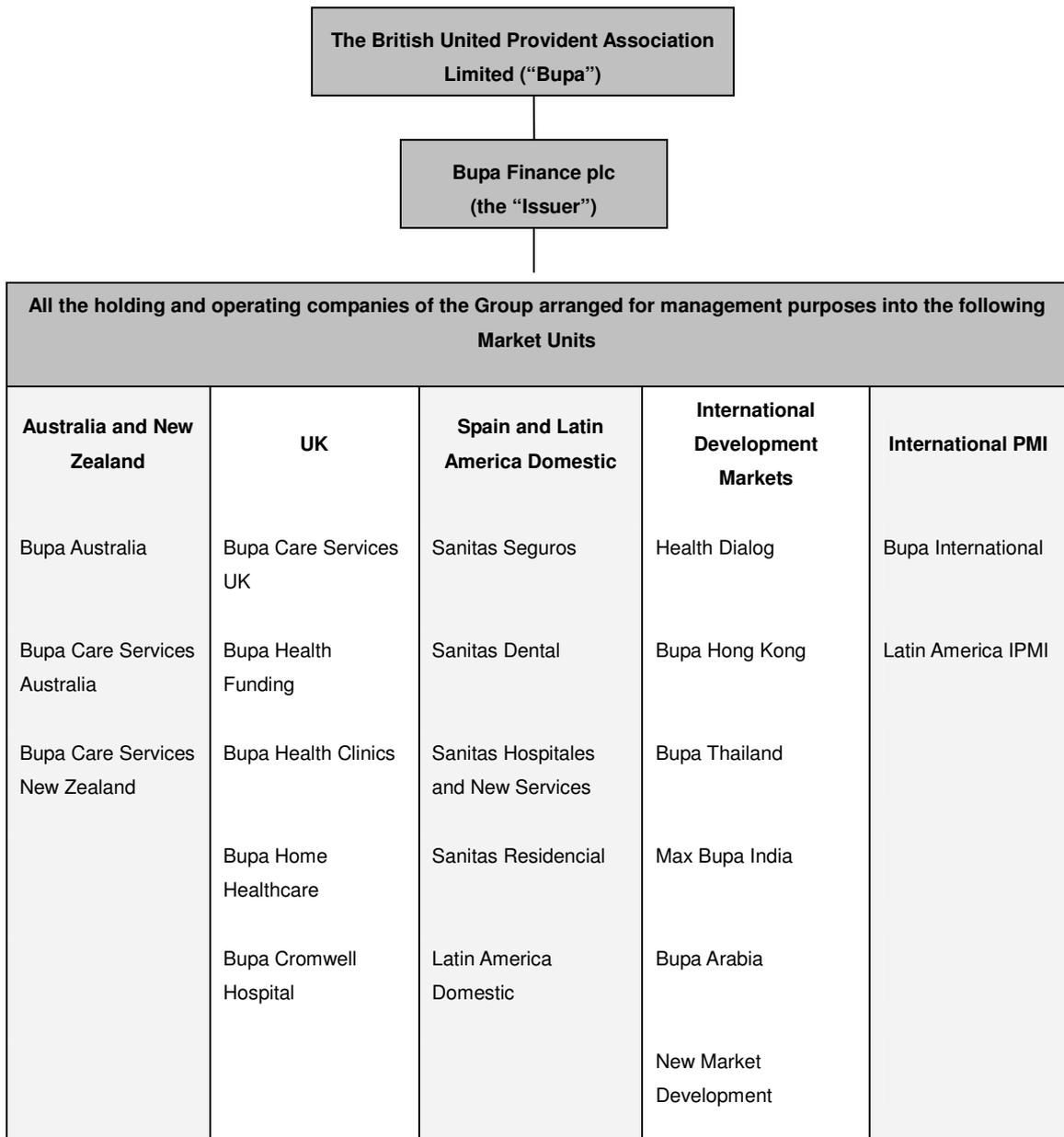
The Group operates a broad spread of healthcare businesses and has a strong geographical base across the UK, Australasia and Spain with a presence in Latin America, Africa and the Asia Pacific region.

In 2012, the Group saw its revenues increase by 4% to £8.37bn. Underlying profit before taxation was up 7% to £674.3m. Customer numbers were up 9% to 11.8m and profit before taxation was up 128% to £661.0m. Cash flow from operations was £1,025.0m. Leverage was down to 19% (FY 2011: 20%) There was also significant capital investment of £224.0m (FY 2011: £182.7m).

At the year end the capital surplus, calculated under the Insurance Groups Directive ("**IGD**"), for the regulated group, comprising Bupa and the Group, was £2,111.5m (FY 2011: £1,413.2m). Capital resources were £2,901.9m (FY 2011: 2,191.2m), comprising Core Tier 1 capital of £2,571.9m (FY 2011: 1,861.2m) and Upper Tier 2 capital of £330.0m (FY 2011: £330.0m). The capital resource requirement was £790.4m (FY 2011: £778.0m).

The Group is organised on the basis of five market units ("**Market Units**") covering different geographic regions or areas of business: Australia and New Zealand, the UK, Spain and Latin America Domestic, International Development Markets ("**IDM**") and International Private Medical Insurance ("**IPMI**"), supported by a corporate centre of specialist functions ("**Corporate Centre**").

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 three business units:

- Bupa Australia, the largest privately owned health insurance provider in Australia which also offers health assessments, health coaching, international health cover and optical care;
- Bupa Care Services Australia, which provides care to more than 5,600 elderly residents in 60 homes across Australia (following the recent purchase of Innovative Care's 10 care homes); and

- Bupa Care Services New Zealand, which cares for more than 3,800 people in 47 homes, 20 retirement villages and seven rehabilitation sites and also provides telecare services via a personal alarm network.

In 2012, the Australia and New Zealand Market Unit saw a combined 9% growth in revenues to £3,554.0m and a 12% rise in profits to £289.5m.

### *UK*

As of 1 January 2013, the UK Market Unit comprises five business units:

- Bupa Health Funding including the Group's private health insurance, cashplans, travel insurance, and Bupa On Demand businesses in the UK;
- Bupa Health Clinics, running Bupa Wellness Centres and Occupational Health Services;
- Bupa Care Services UK ("**BCS**"), providing care to more than 17,900 residents in almost 300 homes across the UK;
- Bupa Home Healthcare ("**BHH**"), providing out of hospital healthcare services to more than 17,000 patients; and
- Bupa Cromwell Hospital ("**BCH**"), Bupa's complex care hospital based in London, providing care for insured, self-pay and international patients.

In 2012, the UK Market Unit saw a 1% increase in revenues to £2,528.8m but a 22% fall in profits to £123.8m due to challenging trading conditions, low consumer confidence, rising healthcare costs and adverse market conditions.

### *Spain and Latin America Domestic*

The Spain and Latin America Domestic Market Unit comprises five business units:

- Sanitas Seguros, providing health insurance services;
- Sanitas Dental, providing dental insurance services through 111 centres and third-party networks;
- Sanitas Hospitales and New Services, operating three private hospitals, 17 private medical clinics, health and wellbeing services and two Public-Private Partnerships;
- Sanitas Residencial, caring for around 4,000 residents in 40 care homes; and
- Latin America Domestic, a new business established in October 2012 which is currently planning its entry strategy but as yet, has no in-country presence.

In 2012, the Spain and Latin America Domestic Market Unit saw a 2% fall in revenues to £1,190.8m but there was a 6% increase in profits to £118.7m, which was driven by an increase in customers, in spite of a tough economic environment. Revenue growth was impacted by adverse foreign exchange movements.

### *International Development Markets (IDM)*

IDM combines the Group's existing local businesses in its markets around the world with a focus on investment in developing markets with significant future growth potential. The Group's existing businesses include:

- Domestic health insurance businesses in Thailand, Hong Kong, India, Saudi Arabia and China; and
- Health Dialog, a health analytics business in the USA.

In 2012, IDM saw a 7% fall in revenues to £227.3m and profits of £0.0m (compared to £0.7m in 2011). These results are attributed to the fact that a number of businesses were at the development stage of the business life-cycle and are yet to start generating revenue.

### *International Private Medical Insurance (IPMI)*

IPMI comprises two businesses:

- Bupa International, which provides health insurance to individuals, small businesses and corporates in over 190 countries; and
- Bupa Latin America IPMI, the largest international health insurer in the LatAm region.

In 2012, IPMI saw a 10% increase in revenues to £872.0m and a 12% increase in profits to £101.8m. The revenue increase was characterised by growth in customer numbers and the development of new products.

### *Corporate Centre*

The Corporate Centre focuses on setting direction, professional and functional capability development, policies, governance and reporting, and for driving medium to long term (three to eight year) growth activities. The Corporate Centre is not directly involved in delivering operational activity in the Market Units.

## **Strategy**

The Group is in a good position to grow its business in 2013 including through acquisition and partnership. The Group will continue to focus on making quality healthcare affordable and accessible, to create personalised products and services that are tailored to individual needs, and to tackle the toughest challenges in healthcare.

Difficult economic conditions in Europe will continue to put pressure on the UK and Spanish businesses, but increasing consumer expectations, ageing populations, rising levels of chronic disease, and improvements in treatments and drugs are trends that will continue to fuel demand for healthcare and drive growth across the Group. The Group will continue to differentiate itself through healthcare expertise and by expanding its integrated funding and provision model.

These trends will also mean healthcare systems around the world will need to focus on keeping people well if they are to remain sustainable in the long-term. The Group's 2020 vision

addresses the key issues at the heart of a sustainable healthcare system. The Group is committed to becoming a healthcare partner to millions more people around the world and aims to achieve this goal by giving more people access to advice and care that is right for them as individuals, by building customer trust and by supporting its customers throughout their lives. The Group is also committed to having a positive impact on the world's health and the environment. In support of these efforts the Group will ensure that it invests to create long-term economic value, thereby promoting sustainable revenue and profit growth which will ultimately allow the Group to reach out to more people and better achieve its aims.

## Management

### Directors of the Issuer

The following is a list of directors 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 referred to below is at Bupa House, 15-19 Bloomsbury Way, London WC1A 2BA.

<b>Name</b>	<b>Title</b>	<b>Principal activities performed by them outside of Bupa and the Group (if any)</b>
Evelyn Bourke	Director	Non-executive Director of IFG Group Plc
Nicholas Beazley	Director	-
Gareth Evans	Director	-
Ali Merchant	Director	-
Steven Los	Director	-
Charles Richardson	Director	-

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 law and HM Revenue & Customs practice, describe only the United Kingdom withholding tax treatment of payments in respect of the Notes. 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.*

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 tax where at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner of the interest is within the charge to United Kingdom corporation tax as regards the payment of interest, provided HM Revenue & Customs has not given a direction that the interest should be paid under deduction of tax.

In other cases, absent any other relief or exemption (such as a direction by HM Revenue & Customs that interest may be paid without withholding or deduction for or on account of tax to a specified Noteholder following an application by that Noteholder under an applicable double tax treaty), an amount must generally be withheld on account of income tax at the basic rate (currently 20 per cent.) from payments of interest on the Notes.

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.

Noteholders may wish to note that certain information (including the name and address of the recipient or the beneficial owner of the payments under the Notes) may be obtained by, or be required to be reported to, the tax authority of the Noteholder, the beneficial owner of payments under the Notes or any person who either pays or credits interest to, or receives interest for the benefit of, the Noteholder or the beneficial owner of payments under the Notes. Any information so reported or obtained may, in certain circumstances, be exchanged by such tax authority with the tax authorities of other jurisdictions.

***EU Savings Directive***

Under the Savings Directive, a Member State of the European Union is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required, unless during that period they elect otherwise, to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland). The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

## **Subscription and Sale**

Pursuant to a Subscription Agreement dated 23 April 2013 (the “**Subscription Agreement**”), Barclays Bank PLC, HSBC Bank plc, Lloyds TSB Bank plc and The Royal Bank of Scotland plc (together the “**Joint Lead Managers**” or the “**Managers**” and each, a “**Manager**”) have agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes at the issue price of 99.371 per cent. of their principal amount less commissions. The 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 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 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 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 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, which are estimated to amount to approximately £494,605,000 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 092022145 and an ISIN Code of XS0920221453.
- (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 5.081 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 5.00 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 £7,175.
- (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 25 April 2013 (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 26 April 2013.
- (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 10 April 2013.
- (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 31 December 2012 (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 2012.
- (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 <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.
- (12) Copies of the annual report and audited consolidated financial statements of the Issuer for the years ended 31 December 2011 and 2012 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 Audit Plc, 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 2011 and 31 December 2012. KPMG Audit Plc 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 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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