

**BASE PROSPECTUS**



**THE PARAGON GROUP OF COMPANIES PLC**

*(incorporated with limited liability in the United Kingdom)*

**£1,000,000,000**

**Euro Medium Term Note Programme**

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This Base Prospectus has been approved by the United Kingdom Financial Services Authority (the "**FSA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended, (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of notes ("**Notes**") issued under the Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus during the period of twelve months after the date hereof. Applications have been made for such Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**") and through the electronic order book for retail bonds (the "**ORB**"). The Regulated Market of the London Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments. Canaccord Genuity Limited will be appointed as a registered market maker through the ORB when the Notes are issued. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

*Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil their respective obligations under the Notes are discussed under "Risk Factors" below.*

**Arranger and Dealer**

**CANACCORD GENUITY LIMITED**

11 February 2013

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## IMPORTANT NOTICES

The Paragon Group of Companies PLC (the "**Issuer**") accepts responsibility for the information contained in this Base Prospectus and, in relation to each Tranche of Notes, in the applicable Final Terms for such Tranche of Notes and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Certain information and data contained in this Base Prospectus relating to the competitive position of the Issuer was derived from publicly available information. The Issuer accepts responsibility that such publicly available information has been accurately reproduced and, as far as the Issuer is able to ascertain, no facts have been omitted which would render such information inaccurate or misleading.

Statistical data and other information appearing in this Base Prospectus have been accurately reproduced and, as far as the Issuer is aware and able to ascertain from the information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this Base Prospectus, the source of such information has been identified.

In addition, in the context of any offer of Notes that is not made within an exemption from the requirement to publish a prospectus under the Prospectus Directive (a "**Public Offer**"), the Issuer accepts responsibility in the United Kingdom (a "**Public Offer Jurisdiction**") for the content of this Base Prospectus in relation to any person (an "**Investor**") in a Public Offer Jurisdiction to whom an offer of any Notes is made by any financial intermediary to whom the Issuer has given its consent to use this Base Prospectus (an "**Authorised Offeror**"), where the offer is made during the period for which that consent is given and is in compliance with all other conditions attached to the giving of the consent, all as mentioned in this Base Prospectus. However, neither the Issuer nor any Dealer has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

The Public Offer Jurisdiction referred to above in which a Public Offer of Notes may be made is the United Kingdom only.

**Save as provided below, neither the Issuer nor any Dealer has authorised the making of any Public Offer or consented to the use of this Base Prospectus by any other person in connection with any Public Offer of Notes. Any Public Offer made without the consent of the Issuer is unauthorised and neither the Issuer nor any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.** If the Issuer has not consented to the use of this Base Prospectus by an offeror, the Investor should check with such offeror whether anyone is responsible for this Base Prospectus for the purposes of section 90 of the FSMA in the context of the Public Offer, and if so, who that person is. If the Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below.

If so specified in the Final Terms in respect of any Tranche of Notes, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of the relevant Notes during the Offer Period specified in the relevant Final Terms (the "**Offer Period**") either:

(1) in the Member State(s) specified in the relevant Final Terms by any financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) and which satisfies the following conditions and any additional conditions specified in the relevant Final Terms:

1. it is authorised to make such offers under the Markets in Financial Instruments Directive; and
2. it publishes on its website the following statement (with the information in square brackets completed with the relevant information):

"We, [insert legal name of financial intermediary], are a financial intermediary authorised under the Markets in Financial Instruments Directive to make offers of securities such as the [insert title of the relevant Notes] (the "**Notes**") described in the Final Terms dated [insert date] (the "**Final Terms**") published by The Paragon Group of Companies PLC (the "**Issuer**"). We refer to the offer of the Notes in the United Kingdom during the Offer Period specified in the Final Terms (the "**Public Offer**"). In consideration for the Issuer offering to grant its consent to our use of the Prospectus (as defined in the Final Terms) in connection with the Public Offer on the Authorised Offeror Terms specified in the Prospectus and subject to the conditions to such consent, we hereby accept such offer. Accordingly, we are using the Prospectus in connection with the Public Offer in accordance with the consent of the Issuer on the Authorised Offeror Terms and subject to the conditions of such consent."

The "**Authorised Offeror Terms**" are that the relevant financial intermediary:

1. will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer and the relevant Dealer that it will, at all times in connection with the relevant Public Offer:
  - (a) act in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "**Rules**"), including the Rules published by the Financial Services Authority ("**FSA**") (including its guidance for distributors in "*The Responsibilities of Providers and Distributors for the Fair Treatment of Customers*") from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential Investor, and will immediately inform the Issuer and the relevant Dealer if at any time such financial intermediary becomes aware or suspects that it is or may be in violation of any Rules;
  - (b) comply with the restrictions set out under "*Subscription and Sale*" in this Prospectus which would apply as if it were a Dealer;
  - (c) ensure that any fee (and any commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and is fully and clearly disclosed to Investors or potential Investors;
  - (d) hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules, including authorisation under the Financial Services and Markets Act 2000;
  - (e) comply with applicable anti-money laundering, anti-bribery and "know your client" Rules, and will not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
  - (f) retain investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the relevant Dealer, the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer in order to enable the Issuer and/or the relevant Dealer to comply with anti-money laundering, anti-bribery and "know your client" Rules applying to the Issuer and/or the relevant Dealer;
  - (g) ensure that it does not, directly or indirectly, cause the Issuer or the relevant Dealer to breach any Rule or subject the Issuer or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
  - (h) comply with any further requirements relevant to the Public Offer as specified in the applicable Final Terms;
  - (i) not convey or publish any information that is not contained in or entirely consistent with the Prospectus; and
  - (j) if it conveys or publishes any communication (other than the Prospectus or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Public Offer) in connection with the relevant Public Offer, it will

ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that none of the Issuer and the relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of the Issuer or the relevant Dealer (as applicable), use the legal or publicity names of the Issuer or the relevant Dealer or any other name, brand or logo registered by an entity within their respective groups, except to describe the Issuer as issuer of the relevant Notes; and

2. agrees and undertakes to indemnify each of the Issuer and the relevant Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements; and
3. agrees and accepts that:
  - (a) the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Prospectus with its consent in connection with the relevant Public Offer (the "**Authorised Offeror Contract**"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;
  - (b) the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Authorised Offeror Contract (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) and accordingly submits to the exclusive jurisdiction of the English courts; and
  - (c) each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms;

**or,**

(2) by the financial intermediaries specified in the relevant Final Terms, in the Member State(s) specified in the relevant Final Terms and subject to the relevant conditions specified in the relevant Final Terms, for so long as they are authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC). The Issuer may give consent to additional financial intermediaries after the date of the relevant Final Terms and, if they do so, the Issuer will publish the above information in relation to them on their website.

The consent referred to above relates to Public Offers occurring within 12 months from the date of this Base Prospectus.

**Any Authorised Offeror who wishes to use this Base Prospectus in connection with a Public Offer as set out in (1) above is required, for the duration of the relevant Offer Period, to publish on its website that it is using this Base Prospectus for such Public Offer in accordance with the consent of the Issuer and the conditions attached thereto.**

To the extent specified in the relevant Final Terms, an offer may be made during the relevant Offer Period by any of the Issuer, the Dealers or any relevant Authorised Offeror in any relevant Member State and subject to any relevant conditions, in each case all as specified in the relevant Final Terms.

Neither the Issuer nor any of the Dealers has authorised the making of any Public Offer of any Notes by any person in any circumstances and such person is not permitted to use this Base Prospectus in connection with its offer of any Notes unless (1) the offer is made by an Authorised Offeror as described above or (2) the offer is otherwise made in circumstances falling within an exemption from the requirement to publish a prospectus under the Prospectus Directive. Any such unauthorised offers are not made by or on behalf of the Issuer, any Dealer or any Authorised Offeror and none of the Issuer, any Dealer or any Authorised Offeror has any responsibility or liability for the actions of any person making such offers.

**An Investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to an Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocation, settlement arrangements and any expenses or taxes to be charged to the Investor (the "Terms and Conditions of the Public Offer"). The Issuer will not be a party to any such arrangements with Investors (other than Dealers) in connection with the offer or sale of the Notes and, accordingly, this Base Prospectus and any Final Terms will not contain such information. The Terms and Conditions of the Public Offer shall be provided to Investors by that Authorised Offeror at the relevant time. None of the Issuer, any of the Dealers or other Authorised Offerors has any responsibility or liability for such information.**

This Base Prospectus must be read and construed together with any supplements hereto and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus contains all information which is (in the context of the Programme, the issue and offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue and offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Trustee or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are

subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers, the Trustee, or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed £1,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into pounds sterling at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Programme Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Programme Agreement as defined under "*Subscription and Sale*".

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**pounds sterling**", "**sterling**" and "**£**" are to the lawful currency of the United Kingdom, references to "**U.S.\$**", "**U.S. dollars**" or "**dollars**" are to United States dollars and references to "**EUR**", "**€**" or "**euro**" are to the single currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro as amended.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Tranches of Notes issued under the Programme may be rated or unrated by any or all of Moody's Investors Service Ltd ("**Moody's**"), Fitch Ratings Limited ("**Fitch**") or Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"). Each of Moody's, Fitch and Standard & Poor's is established in the European Economic Area ("**EEA**") and registered under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**"). Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

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

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (1) Notes

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

**In connection with the issue of any Tranche of Notes, one or more relevant Dealers (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a 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 relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**



## SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not Applicable".

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this summary.

<b>Section A – Introduction and Warnings</b>		
<b>A.1</b>	<b>Introduction:</b>	<i>This summary should be read as introduction to the Base Prospectus; any decision to invest in the Notes should be based on consideration of the Base Prospectus as a whole by the investor; where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated; and civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in such Notes.</i>
<b>A.2</b>	<b>Consent:</b>	<p>[Not Applicable. The Notes are issued in denominations of at least €100,000 (or its equivalent in any other currency).]</p> <p>[The Issuer consents to the use of the Base Prospectus in connection with a Public Offer of the Notes by any financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) on the following basis:</p> <p>(i) the relevant Public Offer must occur during the period from and including [●] to but excluding [●] (the "Offer Period");and</p> <p>(ii) the relevant Authorised Offeror must satisfy the following conditions: [●].]</p> <p>[The Issuer consents to the use of this Base Prospectus in connection with a Public Offer of the Notes by [●] on the following basis:</p> <p>(i) the relevant Public Offer must occur during the period from and including [●] to but excluding [●] (the "Offer Period"); and</p> <p>(ii) the relevant Authorised Offeror must satisfy the following conditions: [●].]</p> <p><b>Authorised Offerors will provide information to Investors on the terms and conditions of the Public Offer of the relevant Notes at the time such Public Offer is made by the Authorised Offeror to the Investor.</b></p>
		<b>ANY UNNAMED OFFEROR MUST STATE ON ITS WEBSITE THAT IT IS USING THE BASE PROSPECTUS IN ACCORDANCE WITH THIS CONSENT AND THE CONDITONS ATTACHED HERETO.</b>

<b>Section B – Issuer</b>		
<b>B.1</b>	<b>Legal name of the Issuer:</b>  <b>Commercial name of the Issuer:</b>	The Paragon Group of Companies PLC  Paragon
<b>B.2</b>	<b>Domicile and legal form of the Issuer:</b>	The Issuer is a public limited company incorporated in England and Wales under the Companies Act 1985 and operating under the Companies Act 2006, as amended. The Issuer has its registered office in Solihull, West Midlands.
<b>B.4b</b>	<b>Known Trend information:</b>	<p>The Council of Mortgage Lenders ("CML") reported that activity in the UK's housing market, as measured by the number of house sales, has decreased significantly from £362 billion of transactions in 2007 to £141 billion in 2011. During this period of reduced housing transactions, rental demand has grown significantly. Whilst transaction volumes remain low by historical standards, CML reported that the value of buy-to-let ("BTL") advances increased by 23.6 per cent. to £15.7 billion during 2012 versus £12.7 billion in 2011 (September to September). As a consequence of the high level of demand, recent Royal Institution of Chartered Surveyors ("RICS") UK Residential Lettings Survey surveys indicated that rental yields are expected to increase. Data from the Association of Residential Letting Agents (September 2012) supports this trend, with the majority of agents reporting an increase in achievable rents over the six months to June 2012.</p> <p>The Issuer, together with its subsidiaries (the "<b>Group</b>"), has taken a cautious approach to new business origination since 2010, initially focusing on professional landlords under the Paragon Mortgages brand and constraining lending volumes to be well within the Group's funding capacity. More recently, following increases in funding capacity, the focus has widened to include campaigns under the Mortgage Trust brand targeted towards private investor landlords. Its business is widely sourced from a large number of mortgage and commercial finance intermediaries, rather than being concentrated in the hands of a smaller number of mainstream mortgage distribution firms. This has the benefit of maintaining access for the Group to whole of market distribution where there is the capacity to support materially higher volumes of origination.</p>
<b>B.5</b>	<b>The Group:</b>	<p>The Group commenced operating in 1985 as a centralised mortgage lender focusing on the residential market.</p> <p>The Issuer is the ultimate holding company of the Group. The principal subsidiaries are Paragon Finance PLC, Paragon Mortgages Limited, Mortgage Trust Limited, Paragon Mortgages (2010) Limited, Idem Capital Securities Limited, Moorgate Loan Servicing Limited, Paragon Personal Finance Limited (trading both in its own name and as Paragon Retail Finance) and Paragon Car Finance Limited.</p>
<b>B.9</b>	<b>Profit Forecast:</b>	Not Applicable. The Issuer has not made any public profit forecast or profit estimate.
<b>B.10</b>	<b>Audit Report Qualification:</b>	Not Applicable. There are no qualifications in the audit report on the historical financial information.
<b>B.12</b>	<b>Key Financial Information:</b>	<p><b><u>The Issuer – selected key financial information</u></b></p> <p>The selected financial information regarding the Issuer as of, and for each of the years ended, 30 September 2012 and 2011 has been extracted, without any adjustment, from the Issuer's audited consolidated financial statements in respect of those dates and periods.</p> <p><b>Consolidated Balance Sheet as at 30 September 2012 and 2011</b></p>

	<b>30 Sept 2012</b>	<b>30 Sept 2011</b>
	<i>(audited)</i>	<i>(audited)</i>
	<i>(£m)</i>	<i>(£m)</i>
<b>Assets employed</b>		
<b>Non-current assets</b>		
Intangible assets .....	9.1	9.3
Property, plant and equipment .....	10.7	11.4
Financial assets .....	9,505.2	9,891.2
Deferred tax asset .....	-	-
	<b>9,525.0</b>	<b>9,911.9</b>
<b>Current assets</b>		
Other receivables .....	7.3	4.7
Cash and cash equivalents .....	504.8	571.6
	<b>512.1</b>	<b>576.3</b>
Total assets .....	<b>10,037.1</b>	<b>10,488.2</b>
<b>Financed by</b>		
<b>Equity shareholders' funds</b>		
Called-up share capital .....	301.8	299.7
Reserves .....	550.2	490.7
Share capital and reserves .....	<b>852.0</b>	<b>790.4</b>
Own shares .....	(48.5)	(48.4)
Total equity .....	<b>803.5</b>	<b>742.0</b>
<b>Current liabilities</b>		
Financial liabilities .....	2.0	1.8
Current tax liabilities .....	13.3	10.7
Other liabilities .....	36.7	38.3
	<b>52.0</b>	<b>50.8</b>
<b>Non-current liabilities</b>		
Financial liabilities .....	9,159.0	9,674.5
Retirement benefit obligations .....	13.9	14.4
Deferred tax .....	7.6	5.0
Other liabilities .....	1.1	1.5
	<b>9,181.6</b>	<b>9,695.4</b>
Total liabilities .....	<b>9,233.6</b>	<b>9,746.2</b>
	<b>10,037.1</b>	<b>10,488.2</b>

### Consolidated Income Statement for the years ended 30 September 2012 and 2011

	<b>Year to</b>	<b>Year to</b>
	<b>30 Sept 2012</b>	<b>30 Sept 2011</b>
	<i>(audited)</i>	<i>(audited)</i>
	<i>(£m)</i>	<i>(£m)</i>
Interest receivable .....	293.8	258.0
Interest payable and similar charges .....	(136.0)	(122.2)
<b>Net interest income</b> .....	<b>157.8</b>	<b>135.8</b>
Other operating income .....	12.4	15.1
<b>Total operating income</b> .....	<b>170.2</b>	<b>150.9</b>
Operating expenses .....	(51.9)	(45.4)
Provisions for losses .....	(24.1)	(24.4)
<b>Operating profit before fair value items</b> .....	<b>94.2</b>	<b>81.1</b>
Fair value net gains / (losses) .....	1.3	(0.3)
<b>Operating profit being profit on ordinary activities before taxation</b> .....	<b>95.5</b>	<b>80.8</b>
Tax charge on profit on ordinary activities .....	(23.3)	(21.2)
<b>Profit on ordinary activities after taxation</b> .....	<b>72.2</b>	<b>59.6</b>
Dividend – Rate per share for the period .....	6.00p	4.00p
Basic earnings per share .....	24.2p	20.2p
Diluted earnings per share .....	23.5p	19.6p

### Consolidated cash flow statement for the years ended 30 September 2012 and 2011

		<b>Year to 30 Sept 2012</b>	<b>Year to 30 Sept 2011</b>
		<i>(audited)</i> <i>(£m)</i>	<i>(audited)</i> <i>(£m)</i>
		Net cash generated by operating activities .....	117.3                      246.1
		Net cash (utilised) by investing activities .....	(2.2)                        (2.1)
		Net cash (utilised) by financing activities.....	(181.9)                    (209.6)
		Net increase in cash and cash equivalents .....	(66.8)                      34.4
		Opening cash and cash equivalents .....	571.0                        536.6
		<b>Closing cash and cash equivalents</b>	<b>504.2                        571.0</b>
		Represented by balances within: .....	
		Cash and cash equivalents .....	504.8                        571.6
		Financial liabilities .....	(0.6)                        (0.6)
		<b>504.2</b>	<b>571.0</b>
		Since 30 September 2012, there has been no significant change in the financial or trading position of the Issuer or the Group and there has been no material adverse change in the prospects of the Issuer or the Group.	
<b>B.13</b>	<b>Recent Events:</b>	Not applicable. There have been no recent events particular to the Issuer which are to a material extent relevant to the Issuer's solvency.	
<b>B.14</b>	<b>Dependence upon other entities within the Group:</b>	Please see Element B.5 above. The Issuer is, directly or indirectly, the ultimate holding company of all the companies in the Group. As the Issuer's business is conducted through the Group, the Issuer is, accordingly, dependent upon those members of the Group.	
<b>B.15</b>	<b>The Issuer's Principal Activities:</b>	<p>The Issuer is a specialist lender of Buy-to-let ("<b>BTL</b>") mortgages to landlords and residential property investors in the UK, as well as a loan servicing provider for third party clients and an active acquirer of loan assets and portfolios.</p> <p>The Group operates in two principal areas:</p> <p><i>Lending:</i> BTL specialist lending to landlord customers through the Paragon Mortgages and Mortgage Trust brands, and the provision of consumer loans; and</p> <p><i>Portfolio acquisitions:</i> the investment division of the Group, Idem Capital, which undertakes acquisitions of loan portfolios, including first and second mortgages as well as unsecured assets.</p> <p>In addition, the Group services mortgage and loan portfolios for itself and for a number of clients such as banks, private equity houses and specialist lenders.</p>	
<b>B.16</b>	<b>Controlling Persons:</b>	The Issuer is neither directly nor indirectly owned or controlled by any one party. The largest shareholder in the Issuer is BlackRock which as at 31 December 2012 held, directly or indirectly, 13.37 per cent. of the ordinary share capital of the Issuer.	
<b>B.17</b>	<b>Ratings assigned to the Issuer or its Debt Securities:</b>	<p>The Issuer is not rated.</p> <p>A Tranche of Notes issued under the Programme may be rated or unrated. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p> <p><i>Issue Specific Summary:</i></p> <p>The Notes to be issued [are not/have been/are expected to be] rated:</p> <p>[Standard &amp; Poor's: [•]]</p>	

		[Moody's: [•]] [Fitch: [•]]
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<b>Section C – The Notes</b>		
<b>C.1</b>	<b>Description of Type and Class of Securities:</b>	<p><b>Issuance in Series:</b> Notes will be issued in series (each a "<b>Series</b>"). Each Series may comprise one or more tranches (each a "<b>Tranche</b>") issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.</p> <p>The Notes may be Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes.</p> <p><b>Forms of Notes:</b> Notes may be issued in bearer or in registered form. Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single Series or Tranche may comprise both Bearer Notes and Registered Notes.</p> <p>Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a "<b>Classic Global Note</b>" or "<b>CGN</b>"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "<b>New Global Note</b>" or "<b>NGN</b>"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.</p> <p>Each Tranche of Notes represented by a Global Registered Note will either be: (a) in the case of a Note which is not to be held under the new safekeeping structure ("<b>New Safekeeping Structure</b>" or "<b>NSS</b>"), registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depository; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.</p> <p>If so specified in the applicable Final Terms, Investors may also hold interest in the Notes through CREST through the issuance of dematerialised depository interests ("<b>CDIs</b>"), issued, held, settled and transferred through CREST, representing interests in the relevant Notes underlying the CDIs. CDIs are independent securities constituted under English law and transferred through CREST and will be issued by CREST Depository Limited pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated). Neither the Notes nor any rights attached thereto will be issued, held, transferred or settled within the CREST system other than through the issue, holding, transfer and settlement of CDIs. Holders of CDIs will not be entitled to deal directly in the Notes and, accordingly, all dealings in the Notes will be effected through CREST in relation to the holdings of CDIs.</p>

		<p><b>Security Identification Number(s):</b> In respect of each Tranche of Notes, the relevant security identification number(s) will be specified in the relevant Final Terms.</p> <p><b>Issue Specific Summary:</b></p> <p>[The Notes shall be consolidated and form a single series with the [insert description of the Series] on [insert date/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as specified in the relevant Final Terms.]</p> <p>Series Number : [•]</p> <p>Tranche Number: [•]</p> <p>Aggregate Nominal Amount: [•]</p> <p>[(i) Series: [•]]</p> <p>[(ii) Tranche: [•]]</p> <p>ISIN Code: [•]</p> <p>Common Code: [•]</p> <p>Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, <i>société anonyme</i> and the relevant identification number(s): [Not Applicable/ give name(s) and number(s)]</p> <p>The Notes are [£/€/\$/[•]] [[•] per cent./Floating Rate/ Zero Coupon] Notes due [•].</p> <p>[Bearer Notes:]</p> <p>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.]</p> <p>[Temporary Global note exchangeable for Definitive Notes on [•] days' notice.]</p> <p>[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.]</p> <p>[Registered Notes:]</p> <p>[Global Registered Note exchangeable for Individual Note Certificates in the limited circumstances specified in the Global Registered Note.]</p> <p>[CREST Depository Interests:]</p> <p>[Holders of CREST Depository Interests ("CDIs") will hold CDIs constituted and issued by the CREST Depository representing indirect interests in the Notes. The CDIs will be issued and settled through CREST.]</p>
C.2	<b>Currency of the Securities Issue:</b>	<p>Notes may be denominated in pounds sterling, euro, dollars or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.</p> <p><b>Issue Specific Summary:</b></p> <p>[The currency of the Notes is [•].]</p>

C.5	<b>Transferability:</b>	<p>The Issuer and the Dealers have agreed restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Jersey, Guernsey, Isle of Man and Japan.</p> <p>The Issuer is Category 2 for the purposes of Regulation S under the Securities Act, as amended.</p> <p>The Notes in bearer form for US federal income tax purposes will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (the "<b>D Rules</b>") unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (the "<b>C Rules</b>") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("<b>TEFRA</b>"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.</p> <p>Subject thereto, the Notes will be freely transferable.</p> <p><i>Issue specific summary:</i></p> <p>Regulation S Compliance Category 2; [TEFRA C/TEFRA D/TEFRA not applicable.]</p>
C.8	<b>The Rights Attaching to the Securities, including Ranking and Limitations to those Rights:</b>	<p><b>Issue Price</b></p> <p>Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. The issue price will be determined by the Issuer prior to the offering of each Tranche after taking into account certain factors including market conditions.</p> <p><i>Issue specific summary:</i></p> <p>[[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]</p> <p><b>Denominations</b></p> <p>Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all legal and/or regulatory requirements.</p> <p><i>Issue specific summary:</i></p> <p>[Specified Denomination: [•]]</p> <p><b>Status of the Notes:</b></p> <p>The Notes constitute direct, general, unconditional and unsubordinated obligations of the Issuer which rank at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.</p> <p><b>Negative Pledge:</b> The Notes will have the benefit of a negative pledge that so long as any Note remains outstanding, (i) the Issuer shall not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Indebtedness of the Issuer or Guarantee entered into by the Issuer; and (ii) the Issuer shall procure that none of its Subsidiaries will create or permit to subsist any Guarantee in respect of any Indebtedness of the Issuer, without (in respect of (i)) (a) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee, or (b) providing such other security for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution of Noteholders.</p> <p><b>Gearing covenant:</b> So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer will ensure that the ratio of Net Senior Debt of the Issuer to Issuer Equity shall not</p>

		<p>exceed 1:1 (the "<b>Gearing Ratio</b>") on each Calculation Date. A default only exists if the Issuer is in breach of the Gearing Ratio covenant on a Calculation Date and has not remedied such breach before the Reporting Date following such Calculation Date.</p> <p><b>Events of Default:</b> The Conditions contain Events of Default including those relating to (a) non-payment, (b) breach of other obligations, (c) cross default subject to a threshold of £20,000,000, (d) enforcement proceedings, (e) security enforcement, (f) insolvency, and (g) winding-up. The provisions include certain minimum thresholds and grace periods. In addition, Trustee certification that certain events would be materially prejudicial to the interests of the Noteholders is required before certain events will be deemed to constitute Events of Default.</p> <p><b>Taxation:</b> All payments in respect of Notes will be made free and clear of withholding taxes of the United Kingdom unless the withholding is required by law. In that event, the Issuer will, subject to customary exceptions, pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.</p> <p><b>Meetings:</b> The Conditions contain certain 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.</p> <p><b>Governing Law:</b> English law.</p> <p><b>Enforcement of Notes in Global Form:</b> In the case of Global Notes, individual Investors' rights against the Issuer will be governed by a Trust Deed dated 11 February 2013, a copy of which will be available for inspection at the specified office of the Principal Paying Agent.</p>						
C.9	<p><b>The Rights Attaching to the Securities (Continued), Including Information as to Interest, Maturity, Yield and the Representative of the Holders:</b></p>	<p><b>Interest:</b> Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate based upon EURIBOR or LIBOR. In respect of each Tranche of Notes, the date from which interest becomes payable and the due dates for interest, the maturity date the repayment procedures and an indication of yield will be specified in the relevant Final Terms.</p> <p><b>Fixed Rate Notes:</b></p> <p>Fixed interest will be payable in arrear on the date or dates in each year specified in the Final Terms.</p> <p><i>Issue specific summary:</i></p> <p>[Fixed Rate Notes are not being issued pursuant to these Final Terms]</p> <table border="0"> <tr> <td>[Rate[(s)] of interest:</td> <td>[•] per cent. per annum payable [•] in arrear on each Interest Payment Date</td> </tr> <tr> <td>Interest Payment Date(s):</td> <td>[•] in each year</td> </tr> <tr> <td>Fixed Coupon Amount[(s)]:</td> <td>[•] per Calculation Amount]</td> </tr> </table> <p><b>Floating Rate Notes:</b></p> <p>Floating Rate Notes will bear interest as follows:</p> <p>(i) on the same basis as the floating rate under a notional interest rate on swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or</p>	[Rate[(s)] of interest:	[•] per cent. per annum payable [•] in arrear on each Interest Payment Date	Interest Payment Date(s):	[•] in each year	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount]
[Rate[(s)] of interest:	[•] per cent. per annum payable [•] in arrear on each Interest Payment Date							
Interest Payment Date(s):	[•] in each year							
Fixed Coupon Amount[(s)]:	[•] per Calculation Amount]							



(ii) by reference to LIBOR or EURIBOR as adjusted for any margin.

Interest periods will be specified in the relevant Final Terms.

**Issue specific summary:**

[Floating Rate Notes are not being issued pursuant to these Final Terms]

[Interest Period(s): [•]

Specified Period: [•]

Specified Interest Payment Dates: [Not Applicable/[•], subject to adjustment in accordance with the Business Day Convention set out below]

First Interest Payment Date: [•]

Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]]

Margin(s): [+/-][•] per cent. per annum

Minimum Rate of Interest: [[•] per cent. per annum/Not Applicable]

Maximum Rate of Interest: [[•] per cent. per annum/Not Applicable]

Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]

**Zero Coupon Notes:**

Zero Coupon Notes (as defined in "Terms and Conditions of the Notes") may be issued at their nominal amount or at a discount to it and will not bear interest.

**Issue specific summary:**

[Zero Coupon Notes are not being issued pursuant to these Final Terms.]

[Accrual Yield: [•] per cent. per annum.]

[Reference Price: [•].]

**Maturities:** Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Any Notes having a maturity of less than one year must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.

**Issue specific summary:**

[Maturity Date: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed on [•]/ the Interest Payment Date falling in or nearest to [•]]

**Redemption:** Notes may be redeemable at par or at such other Redemption Amount as may be specified in the relevant Final Terms.

**Issue specific summary:**

[Final Redemption Amount: Unless previously redeemed, or purchased and cancelled, each

Note will be redeemed at its Final Redemption Amount of [●].]

**Optional Redemption:** Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.

**Issue specific summary:**

[Redemption at the Option of the Issuer: The Notes may be redeemed at the option of the Issuer [in whole]/[ in whole or in part] on [●] at the [Optional Redemption Amount (Call)]/[Sterling Make-Whole Amount]/[Non-Sterling Make-Whole Amount]:

- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [[●] per Calculation Amount][Sterling Make-Whole Amount][Non-Sterling Make-Whole Amount]
  - [(a) Reference Bond: [●][FA Selected Bond][Not Applicable]
  - [(b) Quotation Time: [●]
  - [(c) Redemption Margin: [[●] per cent./ Not Applicable]
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount: [●] per Calculation Amount
  - (b) Maximum Redemption Amount: [●] per Calculation Amount
- (iv) Notice period: [●]

[Redemption at the Option of the Noteholders: The Issuer shall, at the option of the holder of any Note redeem such Note on [●] at [●] together with interest (if any) accrued to such date.]

**Tax Redemption:** Except as described in "Optional Redemption" above, early redemption will only be permitted if the Issuer has or will become obliged to pay certain additional amounts in respect of the Notes as a result of any change in the tax laws of the United Kingdom.

**Yield:** The yield of each Tranche of Notes will be calculated on an annual or semi-annual basis using the relevant Issue Price at the relevant Issue Date.

**Issue specific summary:**

[Yield: Based upon the Issue Price of [●], at the Issue Date the anticipated yield of the Notes is [●] per cent. per annum.]

**Trustee for the Noteholders:** Citicorp Trustee Company Limited (the "Trustee", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).

<b>C.10</b>	<b>Derivative Components:</b>	Not Applicable. There is no derivative component in the interest payments made in respect of any Notes issued under the Programme.
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<p><b>C.11</b> <b>C.21</b></p>	<p><b>Listing and Trading:</b></p>	<p>Applications have been made for Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange and through the ORB. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.</p> <p><i>Issue specific summary:</i></p> <p>[Application has been made for the Notes to be admitted to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange and through the ORB.]</p> <p>[Application has been made for the Notes to be admitted to listing, trading and/or quotation by [●].]</p> <p>[The Issuer does not intend to make any application for the Notes to be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.]</p>
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<p align="center"><b>Section D – Risks</b></p>		
<p><b>D.2</b></p>	<p><b>Key risks specific to the Issuer:</b></p>	<p>The following key risks are specific to the Issuer:</p> <ul style="list-style-type: none"> <li>• As a primary lender and purchaser of loan portfolios, the Group faces credit risk as an inherent component of its lending activities and any adverse changes in credit quality and loan recoverability could affect the Group's business.</li> <li>• A downturn in business condition or the general economy in the UK may adversely affect all aspects of the Group's business as demand for the Group's products is susceptible to demand for rental property, fluctuations in interest rates, employment levels, taxation and other factors that determine disposable income and rental yields. In addition, decreases in UK residential property prices could also reduce the value of security against outstanding loans potentially increasing the Group's losses in the event of a repossession. Such reductions in demand for new products and decreases in value of security could have an impact on the profitability of the Group.</li> <li>• Changes and mismatches in interest rates may adversely impact the Group's revenue and/or profits where there are differences in the rate of borrowing and the rate of lending, payable interest rates change on different dates to receivable rates, and interest rates are not determined by reference to LIBOR so increases cannot be passed on to borrowers.</li> <li>• Changes in supervision and regulation could materially affect the Group's business, the products or services it offers or the value of its assets or returns from its assets as a result of stricter regulatory requirements beyond the Group's control.</li> <li>• Increases in the cost or reductions in availability of the Group's funding to finance the origination of new business, portfolio acquisitions and working capital could adversely impact the Group's financial performance and results from operations.</li> </ul>
<p><b>D.3</b></p>	<p><b>Key risks Specific to the Notes:</b></p>	<p>The following key risks are specific to the Notes:</p> <ul style="list-style-type: none"> <li>• The Notes will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Issuer's subsidiaries. In the event of an insolvency, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Issuer, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Issuer.</li> </ul>

		<ul style="list-style-type: none"> <li>• Holders of CREST depository interests will hold or have an interest in a separate legal instrument and will not be the legal owners of the Notes so rights under the Notes cannot be enforced except indirectly through the intermediary depositories and custodians and rights are governed by external provisions.</li> <li>• The Notes are not protected by the Financial Services Compensation Scheme (the "FSCS") or any other government savings or deposit protection scheme. The FSCS will not pay compensation to an investor in the Notes upon the failure of the Issuer. If the Issuer goes out of business or becomes insolvent, Noteholders may lose all or part of their investment in the Notes.</li> <li>• Investors and sellers of the Notes may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions.</li> <li>• Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. 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. If an investor chooses to sell prior to maturity of the Notes, the investor may receive an amount less than the amount due to be repaid upon maturity.</li> </ul>
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Section E - Offer		
<b>E.2 b</b>	<b>Reasons for the Offer and Use of Proceeds:</b>	<p>The net proceeds from each issue of Notes will be used for the general financing purposes of the Group. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.</p> <p><i>Issue specific summary:</i></p> <p>Reasons for the offer:                   [•]</p> <p>Use of proceeds:                           [•]</p>
<b>E.3</b>	<b>Terms and Conditions of the Offer:</b>	<p>Notes may be issued at any price as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.</p> <p><i>Issue specific summary:</i></p> <p>[Not Applicable. The Notes are in denominations of at least €100,000 (or its equivalent in any other currency).]</p> <p>[An Investor intending to acquire or acquiring Notes from an Authorised Offeror other than the Issuer, will do so, and offers and sale of Notes to an Investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocations and settlement arrangements. ]</p> <p>Offer Price:   [•]</p> <p>Conditions to which the offer is subject:   [Not Applicable/[•]]</p> <p>Total amount of the offer:   [Not Applicable/[•]]</p> <p>Description of arrangements and timing for announcing the offer to the public:   [Not Applicable/[•]]</p> <p>Offer Period including any possible amendments,   [The period from [[•]] until [•]/[the Issue Date]/[the date which falls [•] days</p>

		during which the offer will be open: thereafter]
		Description of the application process: [Not Applicable/[•]]
		Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable/[•]]
		Details of the minimum and/or maximum amount of application: [Not Applicable/[•]]
		Details of the method and time limits for paying up and delivering the Notes: [Not Applicable/[•]]
		Manner in and date on which results of the offer are to be made public: [Not Applicable/[•]]
		Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/[•]]
		Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Not Applicable/[•]]
		Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable/[•]]
		Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/[•]]
		Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. [None/[•]]
		Name and address of any paying agents and depositary agents: [None/[•]]
		Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment: [None/[•]]
<b>E.4</b>	<b>Interests Material to the Issue:</b>	<p>The Issuer has appointed Canaccord Genuity Limited and any other Dealer appointed from time to time (the "<b>Dealers</b>") as Dealers for the Programme. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in the Programme Agreement made between the Issuer and the Dealers.</p> <p><i>Issue specific summary:</i></p> <p>The following additional interest(s) are material to issues of the Notes: [•].</p>
<b>E.7</b>	<b>Estimated Expenses:</b>	<p>It is not anticipated that the Issuer will charge any expenses to investors in connection with any issue of Notes. Other Authorised Offerors may, however, charge expenses to investors. Such expenses (if any) will be determined on a case by case basis but would be expected to be in the range of between 1 per cent. and 7 per cent. of the nominal amount of the Notes to be purchased by the relevant Investor.</p> <p>[There are no expenses charged to an Investor by the Issuer]/[No expenses are being charged to an Investor by the Issuer, however, expenses may be charged by an Authorised Offeror in the</p>

		<p>range of between [•] per cent. and [•] per cent. of the nominal amount of the Notes to be purchased by the relevant Investor.]</p> <p>[No expenses will be chargeable by the Issuer [or the Authorised Offeror(s)] to an Investor in connection with any offer of Notes./Expenses may be chargeable to Investors by the Authorised Offeror(s); these are beyond the control of the Issuer and are not set by the Issuer. Such expenses may vary depending on the size of the amount of Notes subscribed for and the Investor's arrangements with the Authorised Offeror(s). The estimated expenses chargeable to the Investor by the Authorised Offeror(s) are [•].]</p>
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## **RISK FACTORS**

*Prospective investors should read the entire Base Prospectus. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.*

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All 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.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, 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 Base Prospectus and reach their own views prior to making any investment decision.*

### **Risks relating to the Issuer**

***As a primary lender and purchaser of loan portfolios, the Group faces credit risk which is inherent in its lending activities***

As a primary lender, the Group is inherently exposed to risks arising from changes in credit quality and the recoverability of loans and amounts due from borrowers. Adverse changes in the credit quality of the Group's borrowers could result from a general deterioration in UK economic conditions or increases in the interest rates and borrowing costs within the UK economy. The majority of the Group's loans charge a floating interest rate (either from the date the funds are lent or after an initial concessionary period during which period the interest rates are fixed). Increased borrower default risk can result from an increase in interest rates after an initial concessionary period. Increased numbers of defaults by the Group's customers may reduce the recoverability and value of the Group's assets and require an increase in the level of provisions for impairment.

Any adverse changes in credit quality and loan recoverability could have a material adverse effect on the Group's reputation, business, results of operations, profitability or financial condition which could adversely impact the Issuer's ability to fulfil its obligations under the Notes.

***A downturn in business condition or the general economy in the UK may adversely affect all aspects of the Group's business***

The Group's assets are predominantly located in the UK and as such the geographical concentration of credit risk is centred on the UK making the Group sensitive to adverse changes in the UK economy, which could impact all areas of the Group's business. Demand for the Group's products is susceptible to changes in the demand for rental property, which itself is influenced by the affordability of alternative housing arrangements (including house purchases, supply of rental property, demographic changes and government housing policy). Demand for new mortgage lending is susceptible to changes in the Bank of England's base rate, LIBOR, interest rates, employment levels, house prices, housing supply, taxation and other factors that determine disposable income and rental yields.

In addition, decreases in UK residential property prices could reduce the value of the security held against outstanding loans and could potentially increase the Group's losses in the event of any default that results in repossession.

Such reductions in demand for new products and also any decreases in the value of security could adversely affect the Group's revenues and/or profits which could adversely impact the Issuer's ability to fulfil its obligations under the Notes.

***Changes and mismatches in interest rates may adversely impact the Group's revenue and/or profits***

One of the primary components of the Group's revenue and profits is the difference between the rate at which it borrows and the rate at which it lends.

A substantial and sustained increase in the cost of funds available to finance assets is likely to result in the Group seeking to preserve its net margins, where possible, by increasing the rates it applies to its lending products. An increase in rates available for potential customers could adversely affect the Group's ability to originate loans by weakening demand for mortgage finance.

The recalculation and resetting of the interest rates payable by the Group is carried out periodically at intervals which may not coincide with the dates on which the Group is able to change the rates receivable on its loan assets. As a result, its net margin may be adversely affected during such periods where the rates do not match.

The majority of the Group's funding is determined by reference to LIBOR. In respect of the balance of the Group's assets, where interest rates are not determined by reference to LIBOR, there is a risk that the cost of funding those assets increases as a result of increases in LIBOR at a time when the Group is unable to pass on corresponding increases to the relevant borrowers. Similarly, reductions in the interest payable by those borrowers on their loans may not correspond to reductions in the costs of the funds attributable to those assets. The Group seeks to manage and control the potential impact of changes to, and mismatches in, interest rates, however, if the Group fails to manage or control these effectively, there could be an adverse impact on the Group's revenue and/or profits which could affect ability to fulfil obligations under the Notes.

***The Group faces competition in all of the core markets in which it operates***

The UK financial services market is highly competitive. Competitors in the buy-to-let market range from the large multi-product high street banks to small highly specialised operations. In the portfolio purchase and administration markets, competitors are largely specialist funds and private equity funds.

The Group's buy-to-let ("BTL") and asset purchase operations exist in areas of the financial market that are at present less regulated than other financial sectors. This limits barriers to entry to the market which creates the potential for an increase in the number of new competitors.

The market is expected to remain highly competitive in all of the Group's business divisions, which could adversely affect the Group's business, results of operations and financial condition.

***Changes in supervision and regulation could materially affect the Group's business, the products and services it offers or the value of its assets or the returns from its assets***

Some activities of the Group are subject to regulation. The FSA regulates the activities of advising, arranging, selling and administration of general insurance products (which comprise, broadly, buildings, contents or rent protection cover) undertaken by the Group in respect of its borrowing customers. The Office of Fair Trading regulates the Group's activities in the ownership and administration of consumer finance assets.

Changes in supervision and regulation could materially affect the Group's business, the products and services offered or the valuation of assets. The Group works closely with the various entities that regulate its business, however, future changes in regulation, fiscal or other policies can be unpredictable and are beyond the Group's control. Although the Group is committed to compliance with existing regulations, it could be subject to investigations or other regulatory action in the future that could increase its costs or result in negative publicity for the Group or its products.

Furthermore, in light of the proposed EU Directive on Credit Agreements Relating to Residential Property, there may be a change to the regulations affecting BTL mortgages advanced to customers. The proposed extension of the ambit of the directive to include BTL lending may negatively impact the Group. Entities within the Group face increased regulation and could have to comply with provisions relating to advertising and marketing and pre-contractual information. They would also be obliged to undertake creditworthiness and sustainability assessments when determining whether to advance BTL loans. The ability to provide BTL mortgages may be subject to stricter regulatory requirements which could negatively affect the Group's business, results of operations, profitability or financial condition, and which could adversely impact the Issuer's ability to fulfil its obligations under the Notes.



***Increases in the cost or reductions in availability of the Group's funding to finance the origination of new business, portfolio acquisitions and working capital could adversely impact the Group's financial performance and results from operations***

The Group's operations require available corporate funds and third party debt to finance the origination of new business, portfolio acquisitions and working capital.

The Group's business relies on regularly refinancing originated assets financed under its warehouse facilities by selling pools of those assets to specifically formed subsidiary special purpose vehicle companies ("SPV") each of which funds the acquisition of assets through the proceeds of a public issue of securities secured on the pool of assets acquired by it. These structures are commonly referred to as asset or mortgage backed securitisations. The funding available through these types of securitisations is generally more commercially attractive than the funding sources used to originate the products, but is subject to variations in line with the securitisation market. There is a risk that refinancing costs could increase in the future, which could adversely affect the Group's profitability and income and could impact the Issuer's ability to fulfil its obligations under the Notes.

In addition, there is a risk that in the future, warehouse facilities become unavailable or securitisation or asset sale markets close for an indeterminate period, and that as a result the Group is required to cease new lending or asset purchase activities. This may in turn be detrimental to the brand's value, the Group's goodwill, profitability and the Group's future growth potential which in turn could affect the Issuer's ability to pay interest and principal on the Notes.

As the Group relies on brokers and distributors in order to source new lending, if there is a significant period of time when funding is unavailable on commercially acceptable terms, there is also likely to be an adverse effect on the Group's relationships with its brokers, dealers and key introducers. As a consequence, its ability to generate new business from brokers and distributors in the future, should funding become more readily available, may be more challenging. This could have a material adverse impact on the Group's business, results of operations, profitability or financial condition.

***Wholesale counterparty credit arrangements expose the Group to the risk of financial loss***

The Group's SPVs are required to hold certain amounts of their assets in the form of cash, to be held on short term deposit with high quality banks or other institutions, which meet defined minimum ratings levels. These investments give rise to counterparty credit risk for these SPVs.

The Group undertakes hedging arrangements within the SPVs to mitigate the interest rate and foreign exchange risk. At times the value of these hedging transactions can be material. The SPVs are, therefore, also exposed to the risk of loss in the event of the failure of a hedging counterparty.

These risks are compounded by the fact that the number of available counterparties that meet the required criteria has reduced significantly following the financial crisis.

If any of the counterparty failure events described above were to arise then the value of the Issuer's investment in the affected SPV(s) may be adversely affected, and this could have an adverse effect on the Group's business, results of operations, profitability or financial condition.

***The value of the Group's investments in securitisation structures and its income flows from such structures may be adversely affected by virtue of their subordination to other payments and limited resource to assets***

Certain of the Group's subsidiaries have provided credit enhancement in respect of the Group's issues of mortgage or asset backed securitisations. This credit enhancement often takes the form of subordinated loans advanced to the relevant issuer under a securitisation. Moreover, the Group receives income from the activities of Paragon Finance PLC ("PFPLC") and/or Mortgage Trust Services PLC ("MTS") in its capacity as administrator in respect of many of the securitisations, as well as other fee income received by certain members of the Group in respect of services performed in a number of other capacities in relation to the securitisations. Recourse of creditors under each of the securitisations, including, where applicable, PFPLC and/or MTS as administrator, any members of the Group providing any other services in respect of that securitisation and any members of the Group which have provided subordinated loans to the relevant issuer, is limited to the assets secured in respect of that securitisation and recoveries may only be made pursuant to the applicable order of priorities of payment. In the event that the assets of any issuer

under a securitisation are insufficient to satisfy its obligations, the value of the Group's investments by way of subordinated loans and/or the amounts received by PFPLC and/or MTS as administrator and/or any members of the Group for any other services provided in respect of that securitisation may be adversely affected, and this could have a material adverse effect on the Group's business, results of operations, profitability or financial condition.

***If the Group is replaced as administrator in respect of SPVs or third party administration contracts this will reduce income***

The terms of the Group's asset-backed securities structures permit the replacement of the relevant administrator in certain circumstances. Group members also perform under third party administration contracts. In the event that a member of the Group is replaced as administrator under one or more of the Group's securitisations or loses a third party administration contract, this would reduce the fees and other income earned by the Group in respect of these activities.

***Failure to attract, retain or replace senior management and skilled personnel could have a detrimental impact on the Group's business***

The success of the business of the Group is dependent on recruiting, retaining and developing appropriately skilled, competent people at all levels of the organisation (for example, relationship managers responsible for key introducers). If the Group is not able successfully to attract and retain such personnel or ensure that the experience and knowledge of key management is not lost from its business during the succession of personnel, it may not be able to maintain its standards of service or continue to grow its business as anticipated.

The loss of such personnel, and more particularly the failure to find suitable replacements in a timely manner, the inability to attract and retain additional appropriately skilled employees, or the failure to plan succession effectively, could have an adverse effect on the Group's business.

***The Group's various activities subject it to operational risks relating to its ability to implement and maintain effective systems to process the large number of transactions it enters into with customers***

A significant breakdown of the Group's IT systems might adversely impact its ability to operate its business effectively, which may in turn have an adverse effect on the Group's business, results of operations, profitability or financial condition.

It is important for the Group to be able to migrate a large number of assets to its systems following purchase and to process a large number of transactions efficiently and accurately. Losses in migration or in processing transactions can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisations, failure to comply with regulatory requirements (including conduct of business rules), equipment failures, natural disasters, terrorist attacks or the failure of external systems, such as those of the Group's funding banks. Although the Group has trained its staff in disaster recovery procedures and has resources dedicated to developing efficient processes, it is not possible to be certain that such procedures will be effective in controlling each of the operational risks faced by the Group.

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.

***The value of the Group's pension liabilities may be adversely affected by a range of factors including longevity, bond yields, inflation rates and changes to pension regulations***

The Group operates both a funded and defined contribution pension scheme in the UK. The defined benefit scheme provides benefits based on final pensionable salary and is closed to new members. Low interest rates and the decline in financial markets, as well as changes in demographic factors have produced actuarial deficits that have led to increased cash contributions for the Group. Adverse movements in bond yields, inflation rates interest rates, changes to pension regulations and demographic factors amongst others may lead to higher pensions costs, cash contributions and schemes deficits in the future which could adversely affect the Group's financial position and its ability to pay interest and repay principal on the Notes.

### ***Possible exposure of the Group to fraud***

As an originator and purchaser of loan assets, the Group is exposed to possible fraud by borrowers, purported borrowers, their professional advisors such as solicitors, accountants or valuers as well as by employees. Attempted fraud typically involves borrowers, either acting alone or in concert with professional advisors, seeking to obtain funds by adopting a false identity or using a false inflated property valuation or purporting to own a property or seeking a release of security without redeeming the underlying loan. Borrowers could also wrongly claim reimbursement under direct debit indemnity arrangements of instalments previously paid by them. In addition, solicitors could abscond with completion monies, although redress under the indemnity arrangements required by the Solicitors Regulation Authority is normally available in such circumstances.

The Group has in place processes and procedures to counter fraud, and insurance in place providing an indemnity against losses arising from dishonest, fraudulent or malicious acts committed by its staff, outside valuers and outside solicitors, however it is possible that large scale fraud could adversely affect the Group's revenues and/or profits which could in turn adversely impact the Issuer's ability to fulfil its obligations under the Notes

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

Fixed Rate Notes, Floating Rate Notes and Zero Coupon Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

#### ***Risks relating to structural subordination of the Notes***

The Issuer is the holding company of the Group and as such its operations are principally conducted through its subsidiaries. Accordingly, the Issuer is and will be dependent on its subsidiaries' operations to service its indebtedness, including the Notes. The Notes will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Issuer's subsidiaries. In the event of an insolvency, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Issuer, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Issuer.

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

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

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

#### ***Fixed/Floating Rate Notes***

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the prevailing rates on its Notes.

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

The market values of securities issued at a substantial discount (such as Zero-Coupon Notes) or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the

securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### **Risks relating to Notes generally**

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

#### ***The Notes are not protected by the Financial Services Compensation Scheme***

Unlike a bank deposit, the Notes are not protected by the Financial Services Compensation Scheme (the "FSCS") or any other government savings or deposit protection scheme. As a result, the FSCS will not pay compensation to an investor in the Notes upon the failure of the Issuer. If the Issuer goes out of business or becomes insolvent, Noteholders may lose all or part of their investment in the Notes.

#### ***Modification, waiver and substitution***

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

The Conditions of the Notes also provide that the Trustee may, without the consent of the Noteholders, agree to (a) any modification of any of the provisions of the Trust Deed or the Conditions of the Notes that is of a formal, minor or technical nature or is made to correct a manifest error, (b) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Notes or Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders, or (c) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 17(c) (*Substitution*) of the Notes.

#### ***Taxation***

Prospective investors and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. Potential investors are advised not to rely upon the description contained in the general description section of this Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the prospective investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

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

Under EC Council Directive 2003/48/EC (the "**EU Savings Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg 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 exchange of information with certain other countries).

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted 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. Investors who are in any doubt as to their position should consult their professional advisers.

#### ***U.S. Foreign Account Tax Compliance Withholding***

Sections 1471 through 1474 (inclusive) of the U.S. Internal Revenue Code ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments by any

non-U.S. financial institution (a foreign financial institution, or "**FFI**" (as defined by FATCA)) that (i) does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information on its account holders or (ii) is not otherwise exempt from or in deemed-compliance with FATCA. The new withholding regime will be phased in beginning in 2014 for payments received from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 2017.

After consultation with a number of potential partner countries, the United States has released a model intergovernmental agreement ("**model IGA**") to facilitate the implementation of FATCA. Pursuant to FATCA and the model IGA, an FFI in a signatory country could be treated as a deemed-compliant FFI, an exempt FFI or a "**Reporting FFI**" not subject to FATCA withholding on any payments it receives and, with respect to payments it makes from sources within the United States, would not be required to withhold. It is not yet certain whether a Reporting FFI would be required to withhold on foreign passthru payments that it makes. A Reporting FFI would, however, be required to report certain information on its account holders to its home government. On 12 September 2012, the United States and the UK entered into an agreement (the "**US-UK IGA**") based largely on the model IGA.

The Issuer expects to be treated as a Reporting FFI pursuant to the US-UK IGA and does not anticipate being obliged to withhold any amounts under FATCA from payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FFI or that it would not be required to withhold under FATCA or pursuant to the US-UK IGA. Accordingly, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold amounts under FATCA if (a) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FFI, or otherwise exempt from or in deemed-compliance with FATCA or (b) an investor (other than an exempt investor) does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "**United States Account**". This withholding would apply to (i) any Notes that are issued or materially modified on or after the "**Grandfathering Date**", which is the later of (a) 1 January 2014 and (b) the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed in the Federal Register and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the Grandfathering Date and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as exempt from FATCA withholding, which may have negative consequences to any existing Notes, including a negative impact on market price.

If an amount in respect of FATCA withholding were to be deducted or withheld from interest, principal or other payments on the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the Conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may receive less interest or principal than expected. If any FATCA withholding is imposed, a beneficial owner of Notes that is not a foreign financial institution generally will be entitled to a refund of any amounts withheld by filing a U.S. federal income tax return, which may entail a significant administrative burden. A beneficial owner of Notes that is a foreign financial institution will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles it to an exemption from, or reduced rate of, tax on the payment that was subject to withholding under FATCA.

**FATCA is particularly complex and its application is uncertain at this time. Prospective investors should consult their own tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.**

#### *Change of law*

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

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

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which

is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should such definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### ***Risks relating to holding CREST Depository Interests***

Terms used in this risk factor and not otherwise defined shall have the meanings given to such terms in "Book-Entry Clearing Systems – Crest Depository Interests".

CREST Depository Interests are separate legal obligations distinct from the Notes and CDI Holders will be subject to additional provisions other than the Conditions of the Notes.

CDI Holders will hold or have an interest in a separate legal instrument and not be the legal owners of the Notes. The rights of CDI Holders to the Notes are represented by the relevant entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Notes. Accordingly, rights under the Notes cannot be enforced by CDI Holders except indirectly through the intermediary depositories and custodians. The enforcement of rights under the Notes will be subject to the local law of the relevant intermediaries. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Notes in the event of any insolvency or liquidation of any of the relevant intermediaries, in particular where the Notes held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the relevant Issuer, including the CREST Deed Poll. Potential investors should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the CREST Depository. CDI Holders are bound by such provisions and may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the amounts originally invested by them. As a result, the rights of, and returns received by, CDI Holders may differ from those of holders of Notes which are not represented by CDIs.

In addition, CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Notes through the CREST International Settlement Links Service.

Potential investors should note that none of the Issuer, the relevant Dealer, the Trustee and the Paying Agents will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

For further information on the issue and holding of CDIs see the section entitled "Book-Entry Clearing Systems – Crest Depository Interests" in this Base Prospectus.

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

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

##### ***The secondary market generally***

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be 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. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Further, if an investor chooses to sell its Notes in the open market at any time prior to maturity of the Notes, the price the investor will receive from a purchaser may be less than its original investment, and may be less than the amount due to be repaid at maturity of the Notes if the investor were to hold onto the Notes until then. Factors that will influence the price received by investors who choose to sell their Notes in the open market may include, but are not limited to, market appetite, inflation, the period remaining to maturity of the Notes, prevailing interest rates and the financial position of the Issuer.

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

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

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

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

The Notes may bear interest at a fixed rate. Potential investors should note that if interest rates rise, then the income payable on such Notes might become less attractive and the price that investors could realise on a sale of the Notes may fall. However, the market price of the Notes from time to time has no effect on the total income investors receive on maturity of the Notes if the investor holds the Notes until the maturity date. Further, inflation will reduce the real value of the Notes over time, which may affect what investors could buy with their investment in the future and may make the fixed rate payable on the Notes less attractive in the future, again affecting the price that investors could realise on a sale of the Notes.

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

Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating(s) will not necessarily be the same as the rating assigned to Notes already issued. There are no guarantees that such ratings will be assigned or maintained. Any credit rating agency may lower its ratings or withdraw the rating if, in the sole judgement of the credit rating agency, the credit quality of the Notes has declined or is in question. In addition, at any time a credit rating agency may revise its relevant rating methodology with the result that, among other things, any rating assigned to the Notes may be lowered. If any of the ratings assigned to the Notes is lowered or withdrawn, the market value of the Notes may be reduced. Furthermore, the ratings may not reflect the potential impact of all risks discussed above, and other factors that may affect the value of the Notes. Accordingly, 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.

Any credit ratings assigned to the Notes 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 reduction may result in a reduction in the trading value of the Notes***

The value of the Notes is expected to be affected, in part, by investors' general appraisal of the creditworthiness of the Issuer. Such perceptions are generally influenced by the ratings accorded to the outstanding Notes of such Issuer by standard statistical rating services. A reduction in, or a placing on credit watch of the rating, if any, accorded to outstanding Notes of the Issuer by a rating agency could result in a reduction in the trading value of the Notes.

### ***Legal investment considerations may restrict certain investments***

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



## INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

1. the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the year ended 30 September 2012 (set out on pages 49 to 118 of the 2012 annual report of the Issuer, together with the independent auditors' report on pages 38 to 39); and
2. the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the year ended 30 September 2011 (set out on pages 48 to 116 of the 2011 annual report of the Issuer, together with the independent auditors' report on pages 37 to 38).

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected, free of charge, at 51 Homer Road, Solihull, West Midlands B91 3QJ or on the Issuer's website at <http://www.paragon-group.co.uk/group/>. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

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

## FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in the relevant Final Terms as completed by the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the relevant Notes or (2) by a registration document (the "**Registration Document**") containing the necessary information relating to the Issuer, a securities note (the "**Securities Note**") containing the necessary information relating to the relevant Notes and, if necessary, a summary note.

## FORMS OF THE NOTES

### Bearer Notes

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

Whether or not the Notes are intended to be held in a manner which would allow Eurosystem eligibility will be set out in the relevant Final Terms. Note that the designation "Yes" in the relevant Final Terms means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Where the designation is specified as "No" in the relevant Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 1 year, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Principal Paying Agent; and
- (ii) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership provided, however, that in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

If:

- (a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Trust Deed).

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form ("**Definitive Notes**"):

- (a) on the expiry of such period of notice as may be specified in the Final Terms; or
- (b) at any time, if so specified in the Final Terms; or
- (c) if the Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:
  - (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business;
  - (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs; or
  - (iii) if the Trustee is satisfied that, on the occasion of the next payment due in respect of the Notes of the relevant Series, the relevant Issuer or any of the Transfer and Paying Agents would be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Notes in definitive form.

In relation to any Notes issued with a denomination of EUR100,000 (or equivalent) and integral multiples of EUR1,000 (or equivalent), the Permanent Global Note representing such Notes shall only be exchangeable for Definitive Notes in the limited circumstances described above.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or
- (c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 5.00 p.m. (London time) on such due date ((c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Trust Deed).

#### **Temporary Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specifies the form of Notes as being "*Temporary Global Note exchangeable for Definitive Notes*" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "*Temporary Global Note exchangeable for Definitive Notes*" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange. In relation to any issue of Notes which are expressed to be "*Temporary Global Notes exchangeable for Definitive Notes*" in accordance with this option, such Notes shall be issued and tradeable only in principal amounts equal to the Specified Denomination and multiples thereof (or if more than one Specified Denomination, the lowest Specified Denomination).

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no

further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Trust Deed).

#### **Permanent Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (b) at any time, if so specified in the relevant Final Terms; or
- (c) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:
  - (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
  - (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs; or
  - (iii) if the Trustee is satisfied that, on the occasion of the next payment due in respect of the Notes of the relevant Series, the relevant Issuer or any of the Transfer and Paying Agents would be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Notes in definitive form.

In relation to any Notes issued with a denomination of EUR100,000 (or equivalent) and integral multiples of EUR1,000 (or equivalent), the Permanent Global Note representing such Notes shall only be exchangeable for Definitive Notes in the limited circumstances described above.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date ((b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Trust Deed).

#### ***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

#### **Legend concerning United States persons**

In the case of any Tranche of Bearer Notes having a maturity of more than 1 year, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto 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."

#### **Registered Notes**

Each Tranche of Registered Notes will be in the form of either individual Note Certificates in registered form ("**Individual Note Certificates**") or a global Note in registered form (a "**Global Registered Note**"), in each case as specified in the relevant Final Terms.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the new structure (the "**New Safekeeping Structure**" or "NSS") would be in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the "**Eurosystem**"), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form held issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Whether or not the Notes are intended to be held in a manner which would allow Eurosystem eligibility will be set out in the relevant Final Terms. Note that the designation "Yes" in the relevant Final Terms means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Where the designation is specified as "No" in the relevant Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

Each Global Registered Note will either be: (a) in the case of a Note which is not to be held under the new safekeeping structure NSS, registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depository and will be exchangeable in accordance with its terms; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the relevant Final Terms specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the relevant Final Terms specifies the form of Notes as being "Global Registered Note exchangeable for Individual Note Certificates", then the Notes will initially be in the form of a Global Registered Note which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (b) at any time, if so specified in the relevant Final Terms; or
- (c) if the relevant Final Terms specifies "in the limited circumstances described in the Global Registered Note", then if either of the following events occurs:
  - (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business;
  - (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs; or
  - (iii) if the Trustee is satisfied that, on the occasion of the next payment due in respect of the Notes of the relevant Series, the relevant Issuer or any of the Transfer and Paying Agents would be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Notes in definitive form.

In relation to any Notes issued with a denomination of EUR100,000 (or equivalent) and integral multiples of EUR1,000 (or equivalent), the Global Note Certificate representing such Notes shall only be exchangeable to Individual Note Certificates in the limited circumstances described above.

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in a Global Note Certificate must provide the Registrar (through the relevant clearing system) with such information as the Issuer and the Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Notes represented by the Individual Note Certificates are to be registered and the principal amount of each such person's holding).

Whenever the Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Note at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

#### ***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which completes those terms and conditions.

The terms and conditions applicable to any Global Registered Note will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

#### **Crest Depositary Interests**



If so specified in the applicable Final Terms, investors may also hold interests in the Notes through CREST through the issuance of CREST Depository Interests. See "*Book-Entry Clearing Systems – Crest Depository Interests*" for more information regarding holding CDIs.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. In the case of any Tranche of Notes which are being (a) offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive) or (b) admitted to trading on a regulated market in a Member State, the relevant Final Terms shall not amend or replace any information in this Base Prospectus. Subject to this, to the extent permitted by applicable law and/or regulation, the Final Terms in respect of any Tranche of Notes may complete any information in this Base Prospectus.*

*The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.*

### 1. Introduction

- (a) *Programme:* The Paragon Group of Companies PLC (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of notes (the "**Notes**").
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Trust Deed:* The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated 11 February 2013 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and Citicorp Trustee Company Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).
- (d) *Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated 11 February 2013 (the "**Agency Agreement**") between the Issuer, Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor Principal Paying Agent appointed from time to time in connection with the Notes), Citibank, N.A., London Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the Trustee. In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them.
- (e) *The Notes:* The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). Pursuant to the Issuer's Articles of Association, the execution by the Issuer of any Bearer Notes or Note Certificates (as defined below) representing Registered Notes issued under the Programme will be under hand and not under seal. All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at the registered office of the Trustee (13th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and the Specified Office of the Principal Paying Agent.
- (f) *Summaries:* Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of and are entitled to the benefit of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders and Couponholders during

normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below. The Trustee acts for the benefit of the Noteholders and the Couponholders in accordance with the provisions of the Trust Deed.

## 2. Interpretation

(a) *Definitions:* In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Broken Amount**" has the meaning given in the relevant Final Terms;

"**Business Day**" means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
  - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is

a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

- (e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Principal Paying Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"**Calculation Amount**" has the meaning given in the relevant Final Terms;

"**Calculation Date**" means 31 March and 30 September in each year;

"**Cash**" means, at any time, cash in hand or at bank and (in the latter case) credited to an account in the name of the Issuer with a bank or trust company, to which the Issuer is beneficially entitled and for so long as there is no Security Interest over that cash, except for any Security Interest constituted by a netting or set-off arrangement entered into by the Issuer in the ordinary course of its banking arrangements;

"**Cash Equivalents**" means at any time:

- (a) overnight bank deposits, time deposit accounts, bankers acceptances, money market deposits, certificates of deposit (and similar instruments) maturing within one year after the relevant date of calculation and issued by a bank or trust company which (i) has an Investment Grade Rating and (ii) is organised under, or authorised to operate as a bank or trust company under, the laws of the United Kingdom, the United States of America, or any member state of the European Economic Area (an "**Acceptable Bank**");
- (b) any investment in marketable debt obligations issued or guaranteed by the government of the United Kingdom, the United States of America or any member state of the European Economic Area or by an instrumentality or agency of any of them having an equivalent credit rating, maturing within one year after the relevant date of calculation and not convertible or exchangeable to any other security;
- (c) commercial paper not convertible or exchangeable to any other security:
  - (i) for which a recognised trading market exists;
  - (ii) issued by an issuer incorporated in the United States of America, the United Kingdom or any member state of the European Economic Area;
  - (iii) which matures within one year after the relevant date of calculation; and
  - (iv) which has a credit rating of either A-3 or higher by Standard & Poor's or F3 or higher by Fitch or P-3 or higher by Moody's, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term unsecured and non-credit enhanced debt obligations, an equivalent rating;  
or
- (d) sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an Acceptable Bank (or their dematerialised equivalent); or
- (e) any investment in money market funds which (i) have a credit rating of either A-3 or higher by Standard & Poor's or F3 or higher by Fitch or P-3 or higher by Moody's, (ii) which invest substantially all their assets in securities of the types described in paragraphs (a) to (d) above and (iii) can be turned into cash on not more than 30 days' notice,

in each case, for so long as there is no Security Interest over such instruments, except for any Security Interest constituted by a netting or set-off arrangement entered into by the Issuer in the

ordinary course of its banking arrangements, and to which the Issuer is beneficially entitled at that time;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Derivative Financial Instruments**" means any interest rate swap or interest rate option agreements or currency swap agreements entered into by the Issuer at any time as such term is used in the financial statements of the Issuer;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (a) if "**Actual/Actual (ICMA)**" is so specified, means:
- (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
  - (iii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
  - (iv) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
  - (v) if "**Actual/365 (Sterling)**" is so specified, means the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
  - (vi) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
  - (vii) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

"M<sub>2</sub>" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

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

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30";

- (viii) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (ix) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30,

**provided, however, that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"**euro**" means the single currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro as amended;

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**FA Selected Bond**" means a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes;

"**Financial Adviser**" means a financial adviser selected by the Issuer after consultation with the Trustee;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**First Interest Payment Date**" means the date specified in the relevant Final Terms;

"**Fitch**" means Fitch Ratings Ltd or any successor thereof;

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms;

"**Gross Redemption Yield**" means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields", page 4, Section One: Price/Yield Formulae "Conventional Gilts; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published 8 June, 1998, as amended or updated from time to time) on a semi-annual

compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Trustee may approve;

"**Group**" means the Issuer together with its Subsidiaries;

"**Group Equity**" means 'Total equity' as such term is used in the consolidated balance sheet of the Issuer and determined by reference to the most recent annual financial statements of the Issuer;

"**Guarantee**" means, in relation to any Indebtedness, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

"**Holder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination and Title - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination and Title - Title to Registered Notes*);

"**Indebtedness**" means any indebtedness for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing,

and for the purposes of determining compliance with Condition 5(b) (*Gearing covenant*) on the Calculation Date, the Sterling Equivalent of the principal, capital or nominal amount or the marked to market value, as applicable, of Indebtedness denominated in another currency will be as stated in the most recently published consolidated annual financial statements of the Issuer to the extent shown therein or otherwise, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness in respect of revolving loans incurred under a credit facility, **provided that**, if and for so long as any such Indebtedness is subject to an agreement intended to protect against fluctuations in currency exchange rates with respect to the currency in which such Indebtedness is denominated, the amount of the payment in respect of principal required to be made under such currency agreement in Sterling, which will be calculated in accordance with the exchange rate specified in such currency agreement, to the extent necessary;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;



**"Interest Determination Date"** has the meaning given in the relevant Final Terms;

**"Interest Payment Date"** means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"Investment Grade Rating"** means a long term rating equal to or higher than either Baa3 (or the equivalent) by Moody's, BBB- (or the equivalent) by Standard & Poor's or BBB- (or the equivalent) by Fitch, or a short term rating equal to or higher than P-3 (or the equivalent) by Moody's, A-3 (or the equivalent) by Standard & Poor's or F3 (or the equivalent) by Fitch;

**"ISDA Definitions"** means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.) or, if so specified in the relevant Final Terms, the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

**"Issue Date"** has the meaning given in the relevant Final Terms;

**"Issuer Equity"** means 'Total equity' as such term is used in the company balance sheet of the Issuer and determined by reference to the most recent annual financial statements of the Issuer;

**"LIBOR"** means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the British Bankers' Association based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

**"Limited Recourse Funding Vehicle"** means any company or other legal entity which enters into securitisations of receivables, asset-backed financings, secured warehouse financings, or borrows under a facility agreement or issues bonds, notes or other similar instruments or enters into similar financing structures (including, but not limited to, any residual financings relating to the Issuer's or any Subsidiary's rights under or related to any such financing) whereby payment obligations are to be discharged primarily from or secured primarily on a segregated pool of assets, group of assets, or receivables (whether held legally and/or equitably by the Issuer or a Subsidiary or otherwise), and where the Issuer or a Material Subsidiary is not also a primary obligor or guarantor in respect of the relevant payment obligations, it being agreed and acknowledged that the provision of support for the relevant payment obligations by the Issuer or such Material Subsidiary in the form of subordinated lending, the provision of reserve or first loss funds, the acceptance of deferred consideration or the provision of other credit or liquidity support or a regulatory retention which in any such case is common for such structures shall not constitute the Issuer or such Material Subsidiary being a primary obligor or guarantor for such purposes;

**"Margin"** has the meaning given in the relevant Final Terms;

**"Material Subsidiary"** means a Subsidiary of the Issuer, other than any Limited Recourse Funding Vehicle, whose:

- (a) profits, as shown in its most recent annual audited financial statements, represent at least 10 per cent. of the aggregate profits of the Group; or
- (b) total assets (excluding intra-group items), as shown in its most recent annual audited financial statements, represent at least 10 per cent. of the total assets (excluding intra-group items) of the Group,

and a certificate of any two directors of the Issuer that in their opinion a Subsidiary is or is not or was or was not at any particular time a Material Subsidiary or a Limited Recourse Funding Vehicle may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties;

**"Maturity Date"** has the meaning given in the relevant Final Terms;

**"Maximum Redemption Amount"** has the meaning given in the relevant Final Terms;

**"Minimum Redemption Amount"** has the meaning given in the relevant Final Terms;

**"Moody's"** means Moody's Investor Services Limited or any successor thereof;

**"Net Senior Debt"** means, at any time, the aggregate outstanding principal, capital or nominal amount, as applicable, of all obligations of the Issuer for or in respect of its Indebtedness but:

- (a) excluding any such obligations to any other member of the Group;
- (b) excluding all Subordinated Indebtedness;
- (c) excluding the marked to market value of all Derivative Financial Instruments; and
- (d) deducting the aggregate amount of freely available Cash and Cash Equivalents at that time,

and so that no amount shall be included more than once;

**"Non-Sterling Make-Whole Amount"** means, in respect of any Note, the amount determined in accordance with, Condition 9(c) (*Redemption at the option of the Issuer*);

**"Noteholder"**, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination and Title - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination and Title - Title to Registered Notes*);

**"Optional Redemption Amount (Call)"** means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

**"Optional Redemption Amount (Put)"** means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

**"Optional Redemption Date (Call)"** has the meaning given in the relevant Final Terms;

**"Optional Redemption Date (Put)"** has the meaning given in the relevant Final Terms;

**"Payment Business Day"** means:

- (a) if the currency of payment is euro, any day which is:
  - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

- (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is:
  - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**"Permitted Security Interest"** means, in relation to the Issuer:

- (a) any Security Interest arising by operation of law or any existing Security Interest as of 11 February 2013 which in the opinion of the Issuer, does not (either alone or together with any one or more other such Security Interests) materially impair the operation of such business and which has not been enforced against the assets to which it attaches; or
- (b) any Security Interest that does not fall within sub-paragraph (a) above and that secures Indebtedness of the Issuer or any Guarantee by any of the Issuer's Subsidiaries in respect of any Indebtedness of the Issuer which, when aggregated with Indebtedness secured by all other Security Interests permitted under this sub-paragraph (b), does not exceed 25 per cent. of the Group Equity;

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"Principal Financial Centre"** means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

**"Put Option Notice"** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Put Option Receipt"** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Quotation Time"** has the meaning given in the relevant Final Terms;

**"Rate of Interest"** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

**"Redemption Amount"** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Sterling Make-Whole Amount, the Non-Sterling Make-Whole Amount, the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

**"Redemption Margin"** has the meaning given in the relevant Final Terms;

**"Reference Banks"** means four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

**"Reference Bond"** shall be as set out in the applicable Final Terms or shall be the FA Selected Bond;

**"Reference Bond Price"** means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Principal Paying Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

**"Reference Bond Rate"** means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date of redemption;

**"Reference Date"** will be set out in the relevant notice of redemption;

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

**"Reference Government Bond Dealer Quotations"** means, with respect to each reference Government Bond Dealer and any date for redemption, the arithmetic average, as determined by the Principal Paying Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Principal Paying Agent by such Reference Government Bond Dealer;

**"Reference Price"** has the meaning given in the relevant Final Terms;

**"Reference Rate"** means EURIBOR or LIBOR as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms;

**"Register"** means the register maintained by the Registrar in respect of the Notes in accordance with the Agency Agreement;

**"Regular Period"** means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

**"Relevant Date"** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying

Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Remaining Term Interest**" means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the date on which such Note is to be redeemed by the Issuer pursuant to Condition 9(c) (*Redemption at the option of the Issuer*);

"**Reporting Date**" means each date falling sixty (60) days after each Calculation Date;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Senior Creditors**" means all creditors of the Issuer who are unsubordinated creditors of the Issuer;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**Standard & Poor's**" means Standard & Poor's Rating Services or any successor thereof;

"**Sterling Equivalent**" means, with respect to any monetary amount in a currency other than Sterling, the amount of Sterling obtained by converting such currency other than Sterling involved in such computation into Sterling at the spot rate for the purchase of Sterling with the applicable currency other than Sterling as published in the *Financial Times* in the "Currency Rates" section (or, if the *Financial Times* is no longer published, or if such information is no longer available in the *Financial Times*, such source as may be selected in good faith by the Issuer) on the relevant Calculation Date;

"**Sterling Make-Whole Amount**" means, in respect of any Note, the amount determined in accordance with, Condition 9(c) (*Redemption at the option of the Issuer*);

"**Subordinated Indebtedness**" means any Indebtedness of the Issuer that is expressed by its terms to rank (subject to any mandatory exceptions under applicable law) junior to all present and future Senior Creditors of the Issuer;

"**Subsidiary**" means, in relation to the Issuer, any company:

- (i) in which the Issuer holds a majority of the voting rights; or

- (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors; or
- (iii) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is Subsidiary of a Subsidiary of the Issuer.

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Treaty**" means the Treaty establishing the European Communities, as amended; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons and Couponholders shall be deemed to include references to Talons and holders of Talons, respectively;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (viii) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

### 3. **Form, Denomination and Title**

- (a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, one Talon attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.
- (b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

- (c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.
- (d) *Title to Registered Notes:* The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.
- (e) *Ownership:* The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No Person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.
- (f) *Transfers of Registered Notes:* Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below and to the conditions set forth in the Agency Agreement, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (i) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.
- (j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar.

#### 4. **Status**

The Notes and Coupons constitute direct, general, unconditional and unsubordinated obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. **Covenants**

(a) *Negative pledge:* So long as any Note remains outstanding (as defined in the Trust Deed):

- (i) the Issuer shall not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Indebtedness of the Issuer or Guarantee entered into by the Issuer; and
- (ii) the Issuer shall procure that none of its Subsidiaries will create or permit to subsist any Guarantee in respect of any Indebtedness of the Issuer,

without (in respect of (i)) (a) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee, or (b) providing such other security for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution of Noteholders.

(b) *Gearing covenant:*

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer will ensure that the ratio of Net Senior Debt of the Issuer to the Issuer Equity shall not exceed 1:1 (the "**Gearing Ratio**") on each Calculation Date.

A default only exists if the Issuer is in breach of the Gearing Ratio covenant on a Calculation Date and has not remedied such breach before the Reporting Date following such Calculation Date. A certificate or report dated the Reporting Date by two directors of the Issuer, whether or not addressed to the Trustee, that in their opinion the Issuer has not exceeded the Gearing Ratio on a Calculation Date or has exceeded the Gearing Ratio on a Calculation Date but has remedied such breach before the Reporting Date following such Calculation Date, and giving detail may be relied upon by the Trustee without liability and without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

6. **Fixed Rate Note Provisions**

(a) *Application:* This Condition 6 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6(b) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount / Broken Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount or, if specified in the applicable Final Terms, the Broken Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount or Broken Amount (if applicable) in respect of the relevant Specified Denomination.



- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount or Broken Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

## 7. **Floating Rate Note Provisions**

- (a) *Application:* This Condition 7 is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
    - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
    - (B) determine the arithmetic mean of such quotations; and
  - (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
  - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
  - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.
- (f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the fourth London Business Day thereafter. Notice thereof shall also promptly be given to the Noteholders. For the purposes of this paragraph (g) the expression "**London Business Day**" means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in London. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

- (h) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (in the absence of wilful default) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (i) *Determination or Calculation by Trustee:* If the Calculation Agent fails at any time to determine a Rate of Interest or to calculate an Interest Amount, the Trustee will determine such Rate of Interest and make such determination or calculation which shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply all of the provisions of these conditions with any necessary consequential amendments to the extent that, in its sole opinion and with absolute discretion, it can do so and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances and will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof. Any such determination or calculation made by the Trustee shall be binding on the Issuer, the Paying Agents, the Registrar, the Noteholders and the Couponholders and the Trustee may rely on these advice of a professional adviser in making such determinations or calculations or appoint an agent on behalf of the Issuer to do so.
- (j) All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 7 by the Calculation Agent or the Trustee, as the case may be, shall (in the absence of manifest error) be binding on the Issuer, the Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### 8. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 8 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

#### 9. **Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*).
- (b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:
  - (i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Final Terms as being applicable); or
  - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders, the Trustee and the Principal Paying Agent (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

**provided, however, that** no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (a) if the Trustee so requests, an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment, and (b) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred.

The Trustee shall be entitled to accept without liability such opinion and/ or such certificate as sufficient evidence of the satisfaction of the circumstances set out above, in which event it shall be conclusive and binding on the Noteholders and Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

- (c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, the Trustee and the Principal Paying Agent, or such other period(s) as may be specified in the relevant Final Terms, (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call)) at the applicable amount specified in the relevant Final Terms (together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date) being either:

- (i) the Optional Redemption Amount (Call); or
- (ii) if Sterling Make-Whole Amount is specified in the applicable Final Terms as the Optional Redemption Amount (Call), the Optional Redemption Amount (Call) shall be equal to the higher of (i) 100 per cent. of the outstanding principal amount of the Notes

to be redeemed and (ii) the outstanding principal amount of the Notes to be redeemed multiplied by the price, as reported to the Issuer and the Trustee by the Financial Adviser, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time specified in the applicable Final Terms on the Reference Date of the Reference Bond, plus the Redemption Margin (if any), all as determined by the Financial Adviser; or

- (iii) if Non-Sterling Make-Whole Amount is specified in the applicable Final Terms as the Optional Redemption Amount (Call), the Optional Redemption Amount (Call) shall be an amount calculated by the Principal Paying Agent equal to the higher of (i) 100 per cent. of the outstanding principal amount of the Notes to be redeemed and (ii) the sum of the present values of the outstanding principal amount of the Notes to be redeemed and the Remaining Term Interest on such Note (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis at the Reference Bond Rate, plus the Redemption Margin (if any).

On the date specified for redemption in the notice given by the Issuer, the Issuer shall redeem the Notes as specified in the notice in accordance with this Condition 9(c).

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 9(c) by the Principal Paying Agent, shall (in the absence of manifest error), be binding on the Issuer, the Principal Paying Agent, the Trustee, the Paying Agents, the Registrar (if applicable) and all Noteholders and Couponholders.

- (d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 9(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Principal Paying Agent approves and in such manner as the Principal Paying Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(e), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Final Terms), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(e), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall, in the case of a Bearer Note, hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt and, in the case of a Registered Note, mail such Registered Note by

uninsured post to, and at the risk of, the Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice. For so long as any outstanding Bearer Note is held by a Paying Agent in accordance with this Condition 9(e), the depositor of such Bearer Note and not such Paying Agent shall be deemed to be the holder of such Bearer Note for all purposes. Registered Notes may be redeemed under this Condition 9(e) in any multiple of their lowest Specified Denomination.

- (f) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (e) above.
- (g) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 9(g) or, if none is so specified, a Day Count Fraction of 30/360, Actual 360 or Actual 365 (Fixed).

- (h) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.
- (i) *Cancellation:* All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

## 10. **Payments - Bearer Notes**

This Condition 10 is only applicable to Bearer Notes.

- (a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.
- (b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws:* All payments in respect of the Bearer Notes will be subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or

deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 (inclusive) of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

- (e) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
    - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.
- Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.
- (f) *Unmatured Coupons void:* If the relevant Final Terms specifies that this Condition 10(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(e) (*Redemption at the option of Noteholders*), Condition 9(c) (*Redemption at the option of the Issuer*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

- (i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons:* On or after the relevant Interest Payment Date in respect of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

11. **Payments - Registered Notes**

This Condition 11 is only applicable to Registered Notes.

- (a) *Principal:* Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest:* Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes will be subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 (inclusive) of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.
- (d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 11 arriving after the due date for payment or being lost in the mail.
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.



- (f) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

## 12. **Taxation**

- (a) *Gross up:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:
- (i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
  - (ii) 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 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, this Directive; or
  - (iii) 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 EU; or
  - (iv) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.
- (b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than the United Kingdom references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

## 13. **Events of Default**

If any of the following events occurs and is continuing, the Trustee at its discretion may and, if so requested in writing by holders of at least one-quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having certified in writing that the happening of an event mentioned in (b) or (d) below is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases, to the Trustee having been indemnified and/or prefunded and/or provided with security to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest without further action or formality:

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal and 14 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under the Conditions or the Trust Deed and (except in any case where, in the opinion of the Trustee, the

failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may agree) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

- (c) if:
- (i) any Indebtedness of the Issuer or any Material Subsidiary becomes due and repayable prematurely by reason of an event of default (however described); or
  - (ii) the Issuer or any Material Subsidiary fails to make any payment in respect of any Indebtedness on the due date for payment as extended by any applicable grace period; or
  - (iii) default is made by the Issuer or any Material Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness of any other person on the due date for payment as extended by any applicable grace period,

provided that no event described in this subparagraph (c) shall constitute an Event of Default unless the relevant amount of Indebtedness or guarantee and/or indemnity given by it in relation to any Indebtedness, either alone or when aggregated (without duplication) with other amounts of Indebtedness and/or guarantee and/or indemnity given by it in relation to any Indebtedness relative to all (if any) other events specified in (i) to (iii) above which have occurred and are continuing, amounts to at least £20,000,000 (or its equivalent in any other currency).

A certificate or report by two directors of the Issuer whether or not addressed to the Trustee that in their opinion the £20,000,000 (or its equivalent in any other currency) mentioned in the proviso to (c) above has been reached may be relied upon by the Trustee without liability and without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties; or

- (d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or Paragon Finance PLC save for (i) in the case of Paragon Finance PLC, the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, or (ii) in the case of the Issuer or Paragon Finance PLC, the purposes of an amalgamation, reorganisation or restructuring on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or
- (e) if the Issuer or Paragon Finance PLC ceases to carry on all or substantially all of its business, save for (i) in the case of Paragon Finance PLC, the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, or (ii) in the case of the Issuer or Paragon Finance PLC, the purposes of an amalgamation, reorganisation or restructuring on terms previously approved in writing by the Trustee or by an Extraordinary Resolution, or the Issuer or Paragon Finance PLC is unable to pay its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) if (A) proceedings are initiated against the Issuer or any Material Subsidiary under any applicable liquidation, insolvency, composition, or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any Material Subsidiary, as the case may be, in relation to the whole or a substantial part of the undertaking or its assets, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or its assets, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or its assets and (B) in

any case is not being contested in good faith by the Issuer or any Material Subsidiary or is not discharged or stayed within 45 days; or

- (g) if the Issuer or Paragon Finance PLC initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) otherwise than, in the case of Paragon Finance PLC, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, or in the case of the Issuer or Paragon Finance PLC, on terms previously approved in writing by the Trustee or by an Extraordinary Resolution.

14. **Prescription**

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons (which for this purpose shall not include Talons) are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

15. **Replacement of Notes, Coupons or Talons**

If any Note, Note Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates, Coupons or Talons must be surrendered before replacements will be issued.

16. **Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or prefunded and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

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

In the exercise of its trusts, rights, powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the general interests of the Noteholders as a class and will not have regard or be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or

Couponholders except to the extent already provided for in Condition 12 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 12 (*Taxation*) pursuant to the Trust Deed.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor Principal Paying Agent or Registrar or Calculation Agent and additional or successor Paying Agents in the manner specified in the Agency Agreement; **provided, however, that:**

- (i) the Issuer shall at all times maintain a Principal Paying Agent and a Registrar; and
- (ii) the Issuer shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC; and
- (iii) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (iv) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

#### 17. **Meetings of Noteholders; Modification and Waiver; Substitution**

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes which resolution of will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification and waiver:* The Trustee and the Issuer may, without the consent of the Noteholders, agree to any modification of the Notes, these Conditions, the Trust Deed or the Agency Agreement (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially

prejudicial to the interests of Noteholders and to any modification of the Notes, these Conditions, the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders or Couponholders, authorise or waive any proposed breach or breach of the Notes, these Conditions or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter. Any such authorisation, waiver or modification shall be binding on the Noteholders and the Couponholders.

- (c) *Substitution:* The Trust Deed contains provisions under which the Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) of any other company being a Subsidiary of the Issuer as the principal debtor under the Notes, the Coupons and the Trust Deed **provided that** certain conditions specified in the Trust Deed are fulfilled.

No Noteholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or Couponholder, except to the extent provided for in Condition 12 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

#### 18. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings and/or steps or action (including lodging an appeal in any proceedings) as it thinks fit to enforce its rights under the Trust Deed or the Notes or the Coupons, but it shall not be bound to do so unless:

- (i) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (ii) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

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

#### 19. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or Couponholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

#### 20. **Notices**

- (a) *Bearer Notes:* Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper

having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

- (b) *Registered Notes:* Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing
- (c) The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading.

21. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

22. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all U.S. dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. **Governing Law**

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

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of less than EUR 100,000 (or its equivalent in another currency).*

**Final Terms dated [•]**

**PARAGON GROUP OF COMPANIES PLC**  
**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**under the £1,000,000,000**

### **Euro Medium Term Note Programme**

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) in circumstances in which no obligation arises for the Issuer, the Trustee or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph 8 of Part B below, provided such person is one of the persons described in Paragraph [8] of Part B below [and which satisfies conditions set out in the Base Prospectus (as defined herein) and in the Final Terms] and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU **provided, however, that** all references in this document to the "Prospectus Directive" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and include any relevant implementing measure in the relevant Member State.]

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Trustee, nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU **provided, however, that** all references in this document to the "Prospectus Directive" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and include any relevant implementing measure in the relevant Member State.]

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [•] January 2013 [and the supplemental Base Prospectus dated [•] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

1. Issuer: The Paragon Group of Companies PLC
2. [(i) Series Number:] [•]  
 [(ii) Tranche Number:] [•]  
 [(iii) Date on which the Notes become fungible:] [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 below [which is expected to occur on or about [•]].]
3. Specified Currency or Currencies: [•]
4. Aggregate Nominal Amount: [•]  
 [(i) [Series]:] [•]  
 [(ii) Tranche:] [•]]
5. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
6. (i) Specified Denominations: [•]  
 (ii) Calculation Amount: [•]
7. (i) Issue Date: [•]  
 (ii) Interest Commencement Date: [[•]/Issue Date/Not Applicable]
8. Maturity Date: [•] [Interest Payment Date falling in or nearest to [•]]
9. Interest Basis: [[•] per cent. Fixed Rate]  
 [•] [•] [EURIBOR]/[LIBOR]] +/- [•] per cent. Floating Rate  
 [Zero Coupon]
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount.



11. Change of Interest or Redemption/Payment Basis: [•]/[Not Applicable]
12. Put/Call Options: [Put Option]/[Not Applicable]  
[Call Option]/[Not Applicable]
13. Date [Board] approval for issuance of Notes obtained: [•] [and [•], respectively]

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

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [•] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [•] in each year up to and including the Maturity Date
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•][Not Applicable]
- (v) Day Count Fraction: [Actual/Actual (ICMA/ISDA) / Actual/365 (Fixed/Sterling) / Actual/360 / 30/360 / 30E/360]
15. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (i) Interest Period(s): [•]
- (ii) Specified Period: [•]
- (iii) Specified Interest Payment Dates: [Not Applicable/[•], subject to adjustment in accordance with the Business Day Convention set out in (v) below]
- (iv) [First Interest Payment Date]: [•]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (vi) Additional Business Centre(s): [Not Applicable/[•]]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [•] shall be the Calculation Agent]

[Principal Paying Agent]):

- (ix) Screen Rate [Applicable/Not Applicable]  
Determination:
- Reference Rate: [•] [•] [EURIBOR]/[LIBOR]
  - Interest Determination Date(s): [•]
  - Relevant Screen Page: [•]
  - Relevant Time: [•]
  - Relevant Financial Centre: [•]
- (x) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
  - ISDA Definitions: 2006
- (xi) Margin(s): [+/-][•] per cent. per annum
- (xii) Minimum Rate of Interest: [•] per cent. per annum
- (xiv) Maximum Rate of Interest: [•] per cent. per annum
- (xv) Day Count Fraction: [Actual/Actual (ICMA/ISDA) / Actual/365 (Fixed/Sterling) / Actual/360 / 30/360 / 30E/360]
16. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (i) Accrual Yield: [•] per cent. per annum
  - (ii) Reference Price: [•]
  - (iii) Day Count Fraction: [Actual/Actual (ICMA/ISDA) / Actual/365 (Fixed/Sterling) / Actual/360 / 30/360 / 30E/360]

#### PROVISIONS RELATING TO REDEMPTION

17. Call Option [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [•]
  - (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [[•] per Calculation Amount [Sterling Make-Whole Amount]][Non-Sterling Make-Whole Amount]

- [•][FA Selected Bond][Not Applicable]
- [(a) Reference Bond: [•]
- [(b) Quotation Time: [•]
- [(c) Redemption Margin: [[•] per cent./ Not Applicable]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [•] per Calculation Amount
- (b) Maximum Redemption Amount: [•] per Calculation Amount
- (iv) Notice period: [•]
18. Put Option [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
- (iii) Notice period: [•]
19. Final Redemption Amount of each Note [•] per Calculation Amount
20. Early Redemption Amount [•] per Calculation Amount
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:
21. Early Termination Amount [•] per Calculation Amount
22. Unmatured coupons void [Condition 10(f) (*Unmatured Coupons Void*) applicable/Not Applicable]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

23. Form of Notes: Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]

[Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

[Registered Notes]

Global Registered Note exchangeable for Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances described in the Global Registered Note

[and

Global Registered Note [(U.S.\$/Euro [•] nominal amount)] registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS)).]

[CREST Depositary Interests (CDIs) representing the Notes may also be issued in accordance with the usual procedures of Euroclear UK & Ireland Limited (CREST)]

- 24. New Global Note: [Yes] [No]
- 25. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/[•]]
- 26. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes, as the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.][No]

**THIRD PARTY INFORMATION**

[[•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced inaccurate or misleading.].

Signed on behalf of The Paragon Group of Companies PLC:

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING** [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [•] and listing on [•] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [•] and listing on [•] with effect from [•].] [Not Applicable.]
  
2. **RATINGS**  
Ratings: The Notes to be issued [are not/have been/are expected to be] rated:  
  
[Standard & Poor's: [•]]  
  
[Moody's: [•]]  
  
[Fitch: [•]]
  
3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**  
  
[Save as discussed in "*Subscription and Sale*", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.]
  
4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**  
  
[(i) Reasons for the offer [•]]  
[(ii) Estimated net proceeds: [•]]  
[(iii) Estimated total expenses: [•]]
  
5. **[Fixed Rate Notes only – YIELD**  
  
Indication of yield: [•]
  
6. **[Floating Rate Notes only - HISTORIC INTEREST RATES**  
  
Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].]
  
7. **OPERATIONAL INFORMATION**  
  
ISIN Code: [•]  
  
Common Code: [•]  
  
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable][The Notes will also be made eligible for CREST via the issue of CDIs representing the Notes]  
  
[Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]

8. **DISTRIBUTION**

- (i) If syndicated: [Not Applicable/[•]]
- (a) Names and addresses of Managers and underwriting commitments: [•]
- (b) Date of subscription agreement: [•]
- (ii) If non-syndicated, name and address of Dealer: [Not Applicable/[•]]
- (iii) Indication of the overall amount of the underwriting commission and of the placing commission: [•] per cent. of the Aggregate Nominal Amount
- (iv) U.S. Selling Restrictions: Regulation S Compliance Category 2; [TEFRA C/TEFRA D/TEFRA not Applicable]
- (v) Public Offer: [The Issuer does not consent to the use of the Base Prospectus in connection with a Public Offer of the Notes by any person.]
- [The Issuer consents to the use of the Base Prospectus in connection with a Public Offer of the Notes during the period from [•] until [•] (the "**Offer Period**") in [•] ("**Public Offer Jurisdictions**") by [any financial intermediary/[•]] which is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) and which satisfies the conditions set out in the Base Prospectus and [the following additional conditions: [•]].
- [The Issuer consents to the use of the Base Prospectus in connection with a Public Offer of the Notes during the period from [•] until [•] (the "**Offer Period**") by [•] in [•] ("**Public Offer Jurisdictions**") [and subject to the following conditions: [•]], for so long as they are authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC).]

9. **TERMS AND CONDITIONS OF THE OFFER**

- Offer Price: [•]
- Conditions to which the offer is subject: [Not Applicable/[•]]

Total amount of the offer:	[Not Applicable/[•]]
Description of arrangements and timing for announcing the offer to the public:	[Not Applicable/[•]]
Offer Period including any possible amendments, during which the offer will be open:	[The period from [[•] until [•]/[the Issue Date]/[the date which falls [•] days thereafter]
Description of the application process:	[Not Applicable/[•]]
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/[•]]
Details of the minimum and/or maximum amount of application:	[Not Applicable/[•]]
Details of the method and time limits for paying up and delivering the Notes:	[Not Applicable/[•]]
Manner in and date on which results of the offer are to be made public:	[Not Applicable/[•]]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/[•]]
Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:	[Not Applicable/[•]]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not Applicable/[•]]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/[•]]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:	[None/[•]]
Name and address of any paying agents and depositary agents:	[None/[•]]
Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity	[None/[•]]

through bid and offer rates and description of the main terms of their commitment:

#### **SUMMARY OF THE ISSUE**

[•]



Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least EUR 100,000 (or its equivalent in another currency).

**Final Terms dated [•]**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**under the £1,000,000,000**

**Euro Medium Term Note Programme**

**PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [•] [and the supplemental Base Prospectus dated •] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU **provided, however, that** all references in this document to the "Prospectus Directive" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and include any relevant implementing measure in the relevant Member State.

[In accordance with the Prospectus Directive, no prospectus is required in connection with the issuance of the Notes described herein.]

- |    |  |   |
|----|--|---|
| 1. | Issuer:  | The Paragon Group of Companies PLC  |
| 2. | [(i) Series Number:]                             | [•]   |
|    | [(ii) Tranche Number:]                           | [•]   |
|    | [(iii) Date on which the Notes become fungible:] | [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 below [which is expected to occur on or about [•]].] |
| 3. | Specified Currency or Currencies:                | [•]   |
| 4. | Aggregate Nominal Amount:                        | [•]   |
|    | [(i) [Series]:]                                  | [•]   |
|    | [(ii) Tranche:]                                  | [•]   |
| 5. | Issue Price:                                     | [•] per cent. Of the Aggregate Nominal Amount [plus accrued interest from [•]]  |
| 6. | (i) Specified Denominations:                     | [•]   |

- (ii) Calculation Amount: [•]
7. (i) Issue Date: [•]
- (ii) Interest Commencement Date: [[•]/Issue Date/Not Applicable]
8. Maturity Date: [•][Interest Payment Date falling in or nearest to [•]]
9. Interest Basis: [[•] per cent. Fixed Rate]
- [•][•] [EURIBOR/LIBOR]+/- [•] per cent. Floating Rate]
- [Zero Coupon]
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount.
11. Change of Interest or Redemption/Payment Basis: [•]/[Not Applicable]
12. Put/Call Options: [Put Option] /[Not Applicable]
- [Call Option] /[Not Applicable]
13. [Date [Board] approval for issuance of Notes obtained: [•] [and [•], respectively]

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

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [•] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [•] in each year up to and including the Maturity Date
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•][Not Applicable]
- (v) Day Count Fraction: [Actual/Actual (ICMA/ISDA) / Actual/365 (Fixed/Sterling) / Actual/360 / 30/360 / 30E/360]
15. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (i) Interest Period(s): [•]
- (ii) Specified Period: [•]
- (iii) Specified Interest Payment [Not Applicable/[•], subject to adjustment in accordance with the Business Day

- Dates: Convention set out in (v) below]
- (iv) [First Interest Payment Date]: [•]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
- (vi) Additional Business Centre(s): [Not Applicable/[•]]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent): [•] shall be the Calculation Agent
- (ix) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [•][•] [EURIBOR/ LIBOR]
  - Interest Determination Date(s): [•]
  - Relevant Screen Page: [•]
  - Relevant Time: [•]
  - Relevant Financial Centre: [•]
- (x) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
  - ISDA Definitions: 2006
- (xi) Margin(s): [+/-][•] per cent. per annum
- (xii) Minimum Rate of Interest: [•] per cent. per annum
- (xiv) Maximum Rate of Interest: [•] per cent. per annum
- (xv) Day Count Fraction: [Actual/Actual (ICMA/ISDA) / Actual/365 (Fixed/Sterling) / Actual/360 / 30/360 / 30E/360]

16. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (i) Accrual Yield: [•] per cent. per annum
- (ii) Reference Price: [•]
- (iii) Day Count Fraction: [Actual/Actual (ICMA/ISDA) / Actual/365 (Fixed/Sterling) / Actual/360 / 30/360 / 30E/360]

**PROVISIONS RELATING TO REDEMPTION**

17. **Call Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [[•] per Calculation Amount [Sterling Make-Whole Amount]][Non-Sterling Make-Whole Amount]]
- [(a) Reference Bond: [•][FA Selected Bond][Not Applicable]
- [(b) Quotation Time: [•]
- [(c) Redemption Margin: [[•] per cent./ Not Applicable]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [•] per Calculation Amount
- (b) Maximum Redemption Amount: [•] per Calculation Amount
- (iv) Notice period: [•]
18. **Put Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
- (iii) Notice period: [•]
19. **Final Redemption Amount of each Note** [•] per Calculation Amount
20. **Early Redemption Amount**
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or [•] per Calculation Amount

on event of default or other early redemption:

21. Early Termination Amount: [•] per Calculation Amount
22. Unmatured coupons void [Condition 10(f) (*Unmatured Coupons Void*) applicable/Not Applicable]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes: Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]
- [Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Registered Notes]
- Global Registered Note exchangeable for Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances described in the Global Registered Note
- [and
- Global Registered Note [(U.S.\$/Euro [•] nominal amount)] registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS)).]
24. New Global Note: [Yes] [No]
25. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/[•]]
26. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes, as the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.][No]

#### THIRD PARTY INFORMATION

[[•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced inaccurate or misleading.].

Signed on behalf of The Paragon Group of Companies PLC:

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

(i) Application for admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [•]] and listing on [•] with effect from [•]. [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [•] and listing on [•] with effect from [•].] [Not Applicable.]

(ii) Estimated total expenses related to admission to trading: [•]

### 2. RATINGS

Ratings: The Notes to be issued [are not/have been/are expected to be] rated:

[Standard & Poor's: [•]]

[Moody's: [•]]

[Fitch: [•]]

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

[Save as discussed in "*Subscription and Sale*", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.]

### 4. [Fixed Rate Notes only – YIELD

Indication of yield: [•]

### 5. [Floating Rate Notes only - HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].]

### 6. OPERATIONAL INFORMATION

ISIN Code: [•]

Common Code: [•]

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable][ The Notes will also be made eligible for CREST via the issue of CDIs representing the Notes]

[Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]

### 7. DISTRIBUTION

U.S. Selling Restrictions: Regulation S Compliance Category 2; [TEFRA C/TEFRA D/TEFRA not

Applicable]

**SUMMARY OF THE ISSUE**

[•]



## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be used for the general financing purposes of the Group.

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

### Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note in bearer form, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by a Global Registered Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the person in whose name such Global Registered Note is for the time being registered in the Register which, for so long as the Global Registered Note is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Registered Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Note or Global Registered Note and in relation to all other rights arising under such Global Note or Global Registered Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note or Global Registered Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Registered Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Registered Note.

### Conditions applicable to Global Notes

Each Global Note and Global Registered Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Registered Note. The following is a summary of certain of those provisions:

- (a) *Payments:* All payments in respect of the Global Note or Global Registered Note which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Registered Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.
- (b) *Payment Business Day:* In the case of a Global Note, or a Global Registered Note, shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.
- (c) *Payment Record Date:* Each payment in respect of a Global Registered Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Note is being held is open for business.

- (d) *Exercise of put option:* In order to exercise the option contained in Condition 9(e) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note or the holder of a Global Registered Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.
- (e) *Partial exercise of call option:* In connection with an exercise of the option contained in Condition 9(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Registered Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).
- (f) *Notices:* Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Registered Note is, deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear Bank and/or Clearstream, Luxembourg, and otherwise in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## DESCRIPTION OF THE ISSUER

### History and Development

#### Incorporation and status of The Paragon Group of Companies PLC

The Paragon Group of Companies PLC (the "**Issuer**") was incorporated in England (registered number 02336032) on 17 January 1989 as a public limited company under the Companies Act 1985 as Giltfind Public Limited Company. On 28 February 1989 it changed its name to National Home Loans Holdings PLC and, on 3 March 1997, it changed its name to The Paragon Group of Companies PLC. The Issuer's registered office, which is also its head office, is 51 Homer Road, Solihull, West Midlands B91 3QJ.

The Issuer's ordinary shares are listed on the Official List of the UK Listing Authority and traded on the Regulated Market of the London Stock Exchange.

#### The Group and principal operating subsidiaries

The Issuer, together with its subsidiaries (the "**Group**"), is a specialist lender of Buy-to-let ("**BTL**") mortgages to landlords and residential property investors in the UK, a provider of loan servicing to the Group and to third party clients and an active acquirer of loan portfolios.

The Issuer is the ultimate holding company of the Group which commenced operating in 1985 as a centralised mortgage lender focusing on the residential market. The Group refocused its lending operations towards the growing BTL market in 1995 and expanded its business throughout the 1990s and 2000s, developing a complementary consumer finance business alongside its main lending activity. The Issuer became a FTSE 250 company in 2002.

As the Issuer's business is conducted through the Group, the Issuer is dependent upon its subsidiaries. The principal subsidiaries that operate the BTL mortgage lending business of the Group are Paragon Finance PLC, Paragon Mortgages Limited ("**PML**"), Mortgage Trust Limited ("**MTL**") and Paragon Mortgages (2010) Limited ("**PM 2010**").

The principal operating subsidiary of the portfolio acquisitions business is Idem Capital Securities Limited ("**Idem Capital**").

Moorgate Loan Servicing Limited ("**MLS**") is the principal operating subsidiary of the loan servicing business of the Group.

Paragon Personal Finance Limited (trading both in its own name and as Paragon Retail Finance) and Paragon Car Finance Limited focus on the consumer finance business and are not currently active in new lending.

#### Position of the Issuer

The Group is a leading BTL mortgage lender and specialist purchaser and servicer of loan assets. Since being established in 1985, it is the only specialist lender to maintain an independent position within the UK mortgage market. The Group was the first lender to work with the lettings industry in 1995 to develop the BTL market, and in 2000 it became the only major UK mortgage lender to focus exclusively on BTL offerings with a primary focus on the professional landlord.

#### Strategy

The Group's strategy is focused on delivering value to its shareholders through close management of the existing loan book, exploiting its BTL origination franchise and by acquisition of loan portfolios. During 2012, the Group has employed more capital in its portfolio acquisition activity than in BTL mortgage originations.

## **Business of the Issuer**

The Issuer's business is conducted through the Group. The Group operates in two principal areas, lending and portfolio acquisitions:

### **1. Lending**

The Group operates its lending business through two divisions: First Mortgages, the majority of whose assets comprise BTL first mortgages together with a smaller portfolio of legacy owner-occupied first mortgages ("**First Mortgages**"), and; Consumer Finance, which includes the Group's legacy consumer lending assets ("**Consumer Finance**").

#### *First Mortgages*

The Group has been active in the BTL market since 1995, with the exception of the period from February 2008 until September 2010, when new lending paused following the 2008 financial crisis.

The Group's BTL mortgage lending business is operated through two brands, Paragon Mortgages ("**Paragon Mortgages**") and Mortgage Trust ("**Mortgage Trust**").

Paragon Mortgages and Mortgage Trust are focused on different segments of the BTL market, with Paragon Mortgages offering loans primarily to private investor landlords who have five or more properties and Mortgage Trust concentrating on landlords owning fewer than five properties. Since the commencement of lending in September 2010, all new loans originated by Paragon Mortgages and Mortgage Trust have been made via the Group subsidiary, PM 2010.

PM 2010 uses the existing sales and distribution networks of PML and MTL to maintain close links with both landlords and intermediaries, including IFAs, mortgage advisers and commercial financial brokers. PM 2010 also provides ancillary services such as specialist insurance on an agency basis.

Underwriting is conducted by specialist staff employed by the Group at its Homer Road site in Solihull.

The Group uses its bespoke Aries system to process loan applications and administer completed loans.

Within Aries, specialist third party software ensures that applications are processed in line with the credit policy of the Group. The Group Credit Committee establishes the Group's underwriting policy and monitors compliance at regular meetings.

At 30 September 2012, the aggregate balance of the Group's BTL portfolio was £8,196.4 million, versus £8,231.7 million at 30 September 2011. The credit performance of the portfolio over the year ending 30 September 2012 has been stable, with the percentage of loans three months or more in arrears as at 30 September 2012 standing at 0.48 per cent. of mortgage balances (including acquired loans and receivership cases but excluding properties held for sale) versus 0.63 per cent. at 30 September 2011. This compares with the BTL market average of 1.51 per cent. as recorded by the Council of Mortgage Lenders ("**CML**") as at 30 September 2012.

During the financial year ended 30 September 2012, £184.3 million of new loans were advanced versus £127.0 million of loans in the previous year, and a further £4.6 million of further advances had been made to existing borrowers versus £5.8 million for the year ended 30 September 2011. The new lending business written in 2012 had an average loan to value ratio of 70.1 per cent. versus 69.2 per cent. in the previous year.

The BTL portfolio redemption rate on the back book was 2.2 per cent. at 30 September 2012, versus 2.2 per cent. at 30 September 2011.

The owner-occupied mortgage portfolio reduced to £99.2 million from £128.7 million during the year ended 30 September 2012 and performed in line with the Group's expectations. The portfolio is in run-off as the Group has focused its activities on the BTL market, portfolio acquisitions and other sources of revenue generation.

## **Consumer Finance**

The Consumer Finance division comprises secured lending (second mortgages), car finance, retail finance and unsecured loan portfolios both internally generated and acquired. At 30 September 2012, the total of loans outstanding was £399.0 million, versus £363.8 million at 30 September 2011. The increase in loans outstanding is due to the acquisition of loan portfolios following the ongoing de-leveraging process being undertaken by the larger banks and financial institutions. The redemption rate remains low relative to rates before the 2008 financial crisis, as a result of the shortage of refinancing opportunities from other lenders.

The Group's secured loan portfolio at 30 September 2012 including acquired assets was £279.9 million versus £340.1 million at 30 September 2011.

The residual car finance, retail finance and unsecured loan portfolios including acquired assets totalled £119.1 million at 30 September 2012 versus £23.7 million at 30 September 2011, with the increase due to the acquisition of loan portfolios during the year.

Though not currently active in loan origination within the consumer finance market, the Group continually re-evaluates its position toward this market as opportunities arise.

### **2. Portfolio acquisitions**

An important area of the Group's strategic focus is the acquisition of loan portfolios through its subsidiary Idem Capital, in a market where opportunities have arisen from banks selling loan portfolios in order to reduce leverage and realign their businesses following the 2008 financial crisis.

Idem Capital invests in loan portfolios either as a sole investor or as a co-investor alongside others. In either case, MLS is typically appointed to service the purchased loans post-acquisition.

During the financial year ended 30 September 2012, Idem Capital invested a total of £115.4 million in consumer loan transactions versus £22.7 million in the year ended 30 September 2011. The balances of loans held by Idem Capital are included in the Consumer Finance and First Mortgages year end accounting figures above.

In addition to the principal business areas detailed above, experience in loan management and servicing established over many years has enabled the Group to extend this service to third party clients. The Group operates its third party loan portfolio servicing business through MLS and its division, Arden Credit Management, utilising the Group's core administration and collection skills. The Group services 341,035 accounts as at 30 September 2012, half of which are on behalf of third parties.

### **Sources of Funds**

The Group aggregates PM 2010's BTL mortgage originations within secured revolving warehouse facilities prior to arranging term funding in the securitisation markets. The Group currently has two revolving warehouse facilities, a £250 million facility provided by Macquarie Bank International Limited, and a £200 million facility provided by Lloyds TSB Bank plc.

Securitisation provides the Group's long term BTL financing. The Group's securitisations are structured such that payments of interest and repayments of principal are limited to and match the cash generated from the securitised loans with no recourse to Group funds.

The Group was the first company to use securitisation in the UK mortgage market, launching a residential mortgage-backed securitisation in 1987. To date, the Group has completed 55 securitisations, raising in excess of £20 billion. In November 2011, the Group completed the first BTL securitisation since the 2008 financial crisis and completed a further £200 million securitisation in October 2012. As at 30 September 2012, the total debt outstanding on the Group's securitisations was £6.9 billion.

On 20 April 2005, the Group issued £120 million of unsecured subordinated notes due April 2017 to provide long term capital for the Group. As at 30 September 2012, £110 million remained outstanding at a fixed interest rate of 3.729 per cent per annum.

### **Recent Events**

There are no recent events that are material to an evaluation of the Issuer's solvency.

### **Trend Information on the UK housing and BTL markets**

CML reported that activity in the UK's housing market, as measured by the number of house sales, has decreased significantly from £362 billion of transactions in 2007 to £141 billion in 2011. During this period of reduced housing transactions, rental demand has grown significantly. Whilst transaction volumes remain low by historical standards, CML reported that the value of BTL advances increased by 23.6 per cent. to £15.7 billion during 2012 versus £12.7 billion in 2011 (September to September). As a consequence of the high level of demand, recent Royal Institution of Chartered Surveyors ('RICS') UK Residential Lettings Survey surveys indicated that rental yields are expected to increase. Data from the Association of Residential Letting Agents (September 2012) supports this trend, with the majority of agents reporting an increase in achievable rents over the six months to June 2012.

The Group has taken a cautious approach to new business origination since 2010, initially focusing on professional landlords under the Paragon Mortgages brand and constraining lending volumes to be well within the Group's funding capacity. More recently, following increases in funding capacity, the focus has widened to include campaigns under the Mortgage Trust brand targeted towards private investor landlords. Its business is widely sourced from a large number of mortgage and commercial finance intermediaries, rather than being concentrated in the hands of a smaller number of mainstream mortgage distribution firms. This has the benefit of maintaining access for the Group to whole of market distribution where there is the capacity to support materially higher volumes of origination.

### **Management of Paragon Group of Companies PLC**

The directors of the Issuer, their functions within the Group and their principal activities outside the Group where these are significant with respect to the Group are as follows:

<b>Name</b>	<b>Role</b>	<b>Principal activities outside the Group</b>
Robert Dench	Chairman	Non-Executive director of AXA UK plc and Chairman of AXA Ireland Limited
Nigel Terrington	Chief Executive	Member of the HM Treasury Home Finance Forum  Chairman of the Council of Mortgage Lenders
Nicholas Keen	Finance Director	None
John Heron	Director of New Business	Board Member of the Intermediary Mortgage Lenders Association
Richard Woodman	Director of Corporate Development  Managing Director of Idem Capital	None
Edward Tilly	Non-executive director  Senior Independent Director	None
Alan Fletcher	Non-executive director  Chairman of Paragon Remuneration Committee	Non-executive director of Hyperama plc  Member of the Church of England Pensions Board and its Investment Committee and Chairman of the Housing Committee
Peter Hartill	Non-executive director	Non-executive Chairman of Deeley Group

<b>Name</b>	<b>Role</b>	<b>Principal activities outside the Group</b>
	Chairman of Paragon Audit and Compliance Committee	Non-executive director of Scott Bader Limited
Fiona Clutterbuck	Non-executive director	Head of Strategy and Corporate Development at the Phoenix Group  Non-executive director of WS Atkins plc

The business address of each of the above is 51 Homer Road, Solihull, West Midlands B91 3QJ.

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

### **Audit and Compliance Committee**

As at 30 September 2012, the Audit and Compliance Committee consisted of Peter Hartill who chairs the committee, Fiona Clutterbuck, Edward Tilly and Alan Fletcher. The committee meets at least three times per year.

The Audit and Compliance Committee monitors the integrity of the Group's financial reporting, reviews the Group's internal control and risk management systems, monitors and reviews the effectiveness of the Group's internal audit function, monitors the relationship between the Group and the external auditors and provides a forum through which the Group's external and internal audit functions report to the non-executive directors. The Committee is also responsible for ensuring that the system and controls for regulatory compliance are effective.

The Audit and Compliance Committee reviews the scope and the results of the annual external audit, its cost effectiveness and the independence and objectivity of the external auditors, Deloitte LLP. Both the Audit and Compliance Committee and the external auditors have in place safeguards to avoid compromises of the independence and objectivity of the external auditors.

### **Corporate Governance**

The Issuer has adopted corporate governance policies which comply with the Combined Code and the Model Code on Directors' Dealings. The Board of Directors is committed to the principles of corporate governance contained in the UK Corporate Governance Code ('Code') issued by the Financial Reporting Council in May 2010 and which is publicly available on their website at [www.frc.org](http://www.frc.org). The Board has considered the new Code, which applies to the Group for the year ending 30 September 2013 and considers that it is well placed to comply with its provisions. Throughout the year ended 30 September 2012 the Issuer complied with the provisions of the Code except for Code provision B1.2 in relation to the number of independent non-executive directors.

Due to health reasons, Terence Eccles, an independent non-executive director, decided to step down from the Board of Directors on 31 March 2012 before the completion of his term of engagement. As a replacement, Fiona Clutterbuck was appointed to the Board on 12 September 2012. Between these dates therefore, the Issuer was not in compliance with the Code provision B1.2.

### **Capital Structure**

The Issuer has one class of ordinary share which carries no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Issuer. The rights and obligations attaching to ordinary shares are set out in the Articles of Association of the Issuer.

There are no specific restrictions on the size of a member's holding or on the transfer of shares. Both of these matters are governed by the general provisions of the Issuer's Articles of Association and prevailing legislation. The Articles of Association may be amended by special resolution of the shareholders. The directors are not aware of any agreements between holders of the Issuer's shares in respect of voting rights or which might result in restrictions on the transfer of securities. Votes attaching to shares held by employee benefit trusts are not exercised at general meetings of the Issuer.



## Major Shareholders

As at 31 December 2012, the ten largest shareholders of the ordinary share capital of the Issuer were:

	<b>Ordinary Shares</b>	<b>% Held</b>
BlackRock .....	40,572,102	13.37
M & G Investment Management.....	16,495,541	5.43
Legal & General Investment Management.....	12,814,506	4.22
Aviva Investors .....	12,559,179	4.14
Old Mutual Asset Managers .....	12,329,012	4.06
Hof Hoorneman Bankiers .....	11,302,771	3.72
Standard Life Investments .....	10,307,005	3.40
Henderson Global Investors .....	9,856,206	3.25
Kames Capital.....	9,033,325	2.98
Schroder Investment Management.....	8,125,523	2.68

## Selected Financial Information relating to the Issuer

The following tables set out in summary form balance sheet, income statement and cash flow information relating to the Issuer. Such information is derived from the audited consolidated financial statements of the Issuer as at and for the years ended 30 September 2012 and 30 September 2011. The financial statements of the Issuer are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The 2012 and 2011 consolidated financial statements, together with the reports of Deloitte LLP and the accompanying notes, are incorporated by reference in this Base Prospectus. The financial information presented below should be read in conjunction with such financial statements, reports and the notes thereto.

### *Consolidated Balance Sheets as at 30 September 2012 and 2011*

	<b>30 Sept 2012</b>	<b>30 Sept 2011</b>
	<i>(audited)</i>	<i>(audited)</i>
<b>Assets employed</b>		
<b>Non-current assets</b>		
Intangible assets.....	9.1	9.3
Property, plant and equipment .....	10.7	11.4
Financial assets .....	9,505.2	9,891.2
	<b>9,525.0</b>	<b>9,911.9</b>
<b>Current assets</b>		
Other receivables .....	7.3	4.7
Cash and cash equivalents.....	504.8	571.6
	<b>512.1</b>	<b>576.3</b>
Total assets .....	<b>10,037.1</b>	<b>10,488.2</b>
<b>Financed by</b>		
<b>Equity shareholders' funds</b>		
Called-up share capital.....	301.8	299.7
Reserves.....	550.2	490.7
Share capital and reserves .....	<b>852.0</b>	<b>790.4</b>
Own shares .....	(48.5)	(48.4)
Total equity.....	<b>803.5</b>	<b>742.0</b>
<b>Current liabilities</b>		
Financial liabilities.....	2.0	1.8
Current tax liabilities .....	13.3	10.7
Other liabilities .....	36.7	38.3
	<b>52.0</b>	<b>50.8</b>
<b>Non-current liabilities</b>		
Financial liabilities.....	9,159.0	9,674.5
Retirement benefit obligations .....	13.9	14.4
Deferred tax .....	7.6	5.0
Other liabilities .....	1.1	1.5
	<b>9,181.6</b>	<b>9,695.4</b>
Total liabilities.....	<b>9,233.6</b>	<b>9,746.2</b>

<u>30 Sept 2012</u>	<u>30 Sept 2011</u>
<i>(audited)</i>	<i>(audited)</i>
<b>10,037.1</b>	<b>10,488.2</b>

*Consolidated Income Statement for the years ended 30 September 2012 and 2011*

	<u>Year to 30 Sept 2012</u>	<u>Year to 30 Sept 2011</u>
	<i>(audited)</i>	<i>(audited)</i>
	<i>(£m)</i>	<i>(£m)</i>
Interest receivable .....	293.8	258.0
Interest payable and similar charges .....	(136.0)	(122.2)
<b>Net interest income</b> .....	<b>157.8</b>	<b>135.8</b>
Other operating income.....	12.4	15.1
<b>Total operating income</b> .....	<b>170.2</b>	<b>150.9</b>
Operating expenses .....	(51.9)	(45.4)
Provisions for losses.....	(24.1)	(24.4)
<b>Operating profit before fair value items</b> .....	<b>94.2</b>	<b>81.1</b>
Fair value net gains / (losses) .....	1.3	(0.3)
<b>Operating profit being profit on ordinary activities before taxation</b> .....	<b>95.5</b>	<b>80.8</b>
Tax charge on profit on ordinary activities .....	(23.3)	(21.2)
<b>Profit on ordinary activities after taxation</b> .....	<b>72.2</b>	<b>59.6</b>
Dividend – Rate per share for the period.....	6.00p	4.00p
Basic earnings per share.....	24.2p	20.2p
Diluted earnings per share.....	23.5p	19.6p

*Consolidated cash flow statement for the years ended 30 September 2012 and 2011*

	<u>Year ended 2012</u>	<u>Year ended 2011</u>
	<i>(audited)</i>	<i>(audited)</i>
	<i>(£m)</i>	<i>(£m)</i>
Net cash generated by operating activities .....	117.3	246.1
Net cash (utilised) by investing activities.....	(2.2)	(2.1)
Net cash (utilised) by financing activities .....	(181.9)	(209.6)
Net increase in cash and cash equivalents .....	(66.8)	34.4
Opening cash and cash equivalents .....	571.0	536.6
<b>Closing cash and cash equivalents</b> .....	<b>504.2</b>	<b>571.0</b>
Represented by balances within: .....		
Cash and cash equivalents .....	504.8	571.6
Financial liabilities .....	(0.6)	(0.6)
	<b>504.2</b>	<b>571.0</b>

## BOOK-ENTRY CLEARING SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or CREST (together, the "Clearing Systems") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Dealers, the Trustee and any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes or, in the case of CREST only, CDIs held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### Clearing Systems (other than CREST)

#### *Euroclear and Clearstream, Luxembourg*

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

### CREST Depository Interests

If so specified in the applicable Final Terms, following the delivery of an issue of Notes into Euroclear and/or Clearstream, Luxembourg (the "**Relevant Clearing Systems**" and each a "**Relevant Clearing System**"), investors may also hold interests in the Notes through Euroclear UK & Ireland Limited (formerly known as CREST Co Limited) ("**CREST**") through the issuance of dematerialised depository interests ("**CREST Depository Interests**" or "**CDIs**") issued, held, settled and transferred through CREST, representing interests in the relevant Notes underlying the CDIs (the "**Underlying Notes**"). CREST Depository Interests are independent securities distinct from the Notes, constituted under, and governed by, English law and transferred through CREST and will be issued by CREST Depository Limited (the "**CREST Depository**") pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated) (the "**CREST Deed Poll**").

The CDIs will represent indirect interests in the interest of CREST International Nominees Limited (the "**CREST Nominee**") in the Underlying Notes. Pursuant to the CREST Manual (as defined below), Notes held in global form by the common depository or common safekeeper may be settled through CREST, and the CREST Depository will issue CDIs. The CDIs will be independent securities distinct from the Notes, constituted under English law, and may be held and transferred through CREST.

Interests in the Underlying Notes will be credited to the CREST Nominee's account with a Relevant Clearing System and the CREST Nominee will hold such interests as nominee for the CREST Depository which will issue CDIs to the relevant CREST participants.

Each CDI will be treated by the CREST Depository as if it were one Underlying Note, for the purposes of determining all rights and obligations and all amounts payable in respect thereof. The CREST Depository will pass on to holders of CDIs ("**CDI Holders**") any interest or other amounts received by it as holder of the Underlying Notes on trust for such CDI Holders. CDI Holders will also be able to receive from the CREST Depository notices of meetings of holders of Underlying Notes and other relevant notices issued by the Issuer.

Transfers of interests in Underlying Notes by a CREST participant to a participant of a Relevant Clearing System will be effected by cancellation of the corresponding CDIs and transfer of an interest in such Underlying Notes to the account of the relevant participant with a Relevant Clearing System.

The CDIs will have the same ISIN as the ISIN of the Underlying Notes and will not require a separate listing on the Official List.

Prospective subscribers for Notes represented by CDIs are referred to Section 3 (Crest International Manual) of the CREST Manual issued by Euroclear UK & Ireland (including the CREST International Manual dated 14 April 2008) as amended, modified, varied or supplemented from time to time (the "**CREST Manual**") which contains the form of the CREST Deed Poll to be entered into by the CREST Depository. The rights of the CDI Holders will be governed by the arrangements between CREST, the Relevant Clearing Systems and the Issuer including the CREST Deed Poll (in the form contained in Section 3 of the CREST Manual) executed by the CREST Depository. These rights may be different from those of holders of Notes which are not represented by CDIs.

If issued, CDIs will be delivered, held and settled in CREST, by means of the CREST International Settlement Links Service (the "**CREST International Settlement Links Service**"). The settlement of the CDIs by means of the CREST International Settlement Links Service has the following consequences for CDI Holders:

- (a) CDI Holders will not be the legal owners of the Underlying Notes. The CDIs are separate legal instruments from the Underlying Notes to which they relate and represent an indirect interest in such Underlying Notes.
- (b) The Underlying Notes themselves (as distinct from the CDIs representing indirect interests in such Underlying Notes) will be held in an account with a custodian. The custodian will hold the Underlying Notes through a Relevant Clearing System. Rights in the Underlying Notes will be held through custodial and depository links through the appropriate Relevant Clearing Systems. The legal title to the Underlying Notes or to interests in the Underlying Notes will depend on the rules of the Relevant Clearing System in or through which the Underlying Notes are held.
- (c) Rights under the Underlying Notes cannot be enforced by CDI Holders except indirectly through the intermediary depositories and custodians described above. The enforcement of rights under the Underlying Notes will therefore be subject to the local law of the relevant intermediary. The rights of CDI Holders to the Underlying Notes are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Notes. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Notes in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Notes held in Relevant Clearing Systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.
- (d) The CDIs issued to CDI Holders will be constituted and issued pursuant to the CREST Deed Poll. CDI Holders will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to the CREST Manual and the CREST Rules (the "**CREST Rules**") (contained in the CREST Manual) applicable to the CREST International Settlement Links Service and CDI Holders must comply in full with all obligations imposed on them by such provisions.
- (e) Potential investors should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the issuer of the CDIs, the CREST Depository.
- (f) CDI Holders may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the money invested by them. The attention of potential investors is drawn to the terms of the CREST Deed Poll, the CREST Manual and the CREST Rules, copies of which are available from the CREST website at [www.euroclear.com/site/public/EUI](http://www.euroclear.com/site/public/EUI).

- (g) Potential investors should note that CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Notes through the CREST International Settlement Links Service.
- (h) Potential investors should note that none of the Issuer, the relevant Dealer, the Trustee and the Paying Agents will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Potential investors should note that Bearer Notes represented upon issue by a Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note will not be immediately eligible for CREST settlement as CDIs. In such case, investors investing in the Underlying Notes through CDIs will only receive the CDIs after such Temporary Bearer Global Note is exchanged for a Permanent Bearer Global Note, which could take up to 40 days after the issue of the Notes. It is anticipated that Notes eligible for CREST settlement as CDIs will be issued (i) (in the case of Bearer Notes) directly in permanent global form or (ii) in registered global form.

## TAXATION

The following is a general description of certain United Kingdom and European tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

### United Kingdom

**The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs ("HMRC") practice in the United Kingdom relating only to United Kingdom withholding tax treatment of payments of principal and interest in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future (possibly with retroactive effect). Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.**

### *Interest on the Notes*

*Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Notes to be traded on a recognised stock exchange outside the United Kingdom will be treated as listed on a recognised stock exchange if (and only if) they are admitted to trading on that exchange and they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. Provided, therefore, that the Notes remain listed on a recognised stock exchange, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.*

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

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days from the date of issue and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

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

### *Other Rules Relating to United Kingdom Withholding Tax*

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes should not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in the paragraph headed "*Interest on Notes*" above, but may be subject to reporting

requirements as outlined under the paragraphs headed "*Provision of Information*" and "*EU Savings Directive*" below.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom for United Kingdom tax purposes may be able to recover all or part of the tax deducted subject to an appropriate provision in any applicable double taxation treaty and the laws of the jurisdiction in which the Noteholder is resident for tax purposes.

The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation. Noteholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.

### ***Provision of Information***

Noteholders should note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. In certain circumstances, the information so obtained may be passed by HMRC to the tax authorities of certain other jurisdictions.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes which constitute "deeply discounted securities" for the purposes of section 430 of the Income Tax (Trading and Other Income) Act 2005 (although, in this regard, HMRC published guidance for the year 2012/2013 indicates that HMRC will not exercise its power to obtain information in relation to such payments in that year).

Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

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

Under the EU Savings Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg 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 exchange of information with certain other countries).

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted 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

Notes may be sold from time to time by the Issuer to Canaccord and any entity appointed from time to time as an additional Dealer (the "**Dealers**") in accordance with the terms of the Programme Agreement dated 11 February 2013 (the "**Programme Agreement**") and made between the Issuer and Canaccord. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and subscribed by, the Dealers are set out in the Programme Agreement. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and a single Dealer for that Tranche to be issued by the Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer, and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated", the obligations of those Dealers to subscribe the relevant Notes will be joint and several and the names and addresses of those Dealers, as applicable, and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers will be set out in the relevant Final Terms.

Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealer(s), the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription and whether or not the issue of the Notes is underwritten by the Dealer(s). The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

**United States of America:** *Regulation S Category; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except 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.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Dealer has agreed that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto 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 of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **Public Offer Selling Restriction Under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that



Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) *Approved prospectus*: if the Final Terms or Drawdown Prospectus in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus which is not a Drawdown Prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) *Fewer than 100 offerees*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that** no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

#### **Selling Restrictions Addressing Additional United Kingdom Securities Laws**

Each Dealer has represented, warranted and agreed that:

- (a) **No deposit-taking**: in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and;
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Jersey**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not circulated, and will not circulate, in Jersey any offer for subscription, sale or exchange of any Notes unless such offer is circulated in Jersey by a person or persons authorised to conduct investment business under the Financial Services (Jersey) Law 1998, as amended and (a) such offer does not for the purposes of Article 8 of the Control of Borrowing (Jersey) Order 1958, as amended, constitute an offer to the public; or (b) an identical offer is for the time being circulated in the United Kingdom without contravening the Financial Services and Markets Act 2000 and is, *mutatis mutandis*, circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom.

### **Guernsey**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Notes cannot be marketed, offered or sold in or to persons resident in Guernsey other than in compliance with the licensing requirements of the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended or any exemption therefrom.

### **Isle of Man**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not circulated, and will not circulate, in the Isle of Man, any offer for subscription, sale or exchange of any Notes unless such offer is made by (i) an Isle of Man financial services licenceholder licensed under section 7 of the Financial Services Act 2008 to do so; or (ii) in accordance with any relevant exclusion contained within the Regulated Activities Order 2011 or exemption contained in the Financial Services (Exemptions) Regulations 2011.

### **Japan**

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

### **General**

Each Dealer has represented, warranted and agreed that (to the best of its knowledge and belief) it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

## GENERAL INFORMATION

### Authorisation

1. The establishment of the Programme was authorised by a resolution of the board of directors of the Issuer passed on 30 January 2013, and a resolution of the subcommittee of the Issuer passed on 4 February 2013. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

### Legal and Arbitration Proceedings

2. There are not, and have not 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 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer or the Group.

### Significant/Material Change

3. Since 30 September 2012, there has been no significant change in the financial or trading position of the Issuer or the Group and there has been no material adverse change in the prospects of the Issuer or the Group.

### Auditors

4. The consolidated financial statements of the Issuer have been audited without qualification for the years ended 30 September 2012 and 30 September 2011 by Deloitte LLP, Four Brindley Place, Birmingham B1 2HZ, United Kingdom, chartered accountants.

### Documents on Display

5. Copies of the following documents may be inspected during normal business hours at the offices of Issuer at 51 Homer Road, Solihull, West Midlands B91 3QJ for 12 months from the date of this Base Prospectus:
  - (a) the constitutive documents of the Issuer;
  - (b) the audited consolidated financial statements of the Issuer for the years ended 30 September 2012 and 30 September 2011 and any future year-end and interim financial statements;
  - (c) the Agency Agreement;
  - (d) the Trust Deed;
  - (e) the Programme Agreement; and
  - (f) the Issuer-ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note form).

### Material Contracts

6. There are no contracts having been entered into outside the ordinary course of any of the Issuer's or a member of the Group's businesses, which are, or may be, material and contain provisions under which the Issuer or any member of the Group has an obligation or entitlement which is, or may be, material to the ability of the Issuer to meet its obligations in respect of the Notes.

### Clearing of the Notes

7. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final

Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

If so specified in the applicable Final Terms, interests in the Notes may also be held through CREST through the issuance of CDIs representing Underlying Notes. The address of CREST is Euroclear UK & Ireland, 33 Cannon Street, London EC4M 5SB.

#### **Notes Having a Maturity of Less Than One Year**

8. Any Notes having a maturity of less than one year must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.

#### **Issue Price and Yield**

9. Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Notes or the method of determining the price and the process for its disclosure will be set out in the applicable Final Terms. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

#### **Dealers transacting with the Issuer**

10. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

#### **Trustee's action**

11. The Conditions and the Trust Deed provide for the Trustee to take action on behalf of the Noteholders in certain circumstances, but only if the Trustee is indemnified and/or secured and/or pre-funded to its satisfaction. It may not always be possible for the Trustee to take certain actions, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it. Where the Trustee is unable to take any action, the Noteholders are permitted by the Conditions and the Trust Deed to take the relevant action directly.

**REGISTERED OFFICE OF THE ISSUER**

**The Paragon Group of Companies PLC**

51 Homer Road,  
Solihull,  
West Midlands B91 3QJ  
United Kingdom

**ARRANGER AND DEALER**

**Canaccord Genuity Limited**

9th Floor, 88 Wood Street  
London EC2V 7QR  
United Kingdom

**TRUSTEE**

**Citicorp Trustee Company Limited**

13th Floor, Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**REGISTRAR**

**Citibank, N.A., London Branch**

13th Floor, Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**PRINCIPAL PAYING AGENT**

**Citibank, N.A., London Branch**

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