

## IMPORTANT NOTICE

### NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

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

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

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

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

**Confirmation of your Representation:** In order to be eligible to view the Prospectus or make an investment decision with respect to the Bonds described herein, investors must not be a U.S. person (within the meaning of Regulation S under the Securities Act). The Prospectus is being sent at your request and by accepting the e-mail and accessing the Prospectus, you shall be deemed to have represented to Lloyds TSB Bank plc, The Royal Bank of Scotland plc and UBS Limited (together, the "**Joint Lead Managers**") that you are not a U.S. person, your stated electronic mail address to which this e-mail has been delivered is not located in the U.S. and that you consent to delivery of such Prospectus by electronic transmission.

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

The materials relating to the issue of the Bonds described herein do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the issue of the Bonds described herein be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the issue of the Bonds described herein shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

The Prospectus has been sent to you in electronic format. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers, any person who controls them and any of their respective directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from any Joint Lead Manager.

Prospectus dated 8 February 2010



Close Brothers Group plc

## Close Brothers Group plc

(incorporated with limited liability in England and Wales with registered number 520241)

£200,000,000

6.50 per cent. Bonds due 2017

Issue price: 99.723 per cent.

The £200,000,000 6.50 per cent. Bonds due 2017 (the “**Bonds**”) will be issued by Close Brothers Group plc (the “**Issuer**”) and constituted by a trust deed dated on or about 10 February 2010 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer and Citicorp Trustee Company Limited in its capacity as the trustee (the “**Trustee**”).

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “**UK Listing Authority**” and the “**FSMA**” respectively) for the Bonds to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for the Bonds to be admitted to trading on the London Stock Exchange’s Regulated Market. The London Stock Exchange’s Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the “**Markets in Financial Instruments Directive**”). This document comprises a prospectus for the purpose of Article 3 of Directive 2003/71/EC (the “**Prospectus Directive**”).

Subject to “*Terms and Conditions of the Bonds – Interest*”, the Bonds will bear interest from (and including) 10 February 2010 (the “**Issue Date**”) at the rate of 6.50 per cent. per annum payable semi-annually in arrear on 10 February and on 10 August in each year.

The Bonds will mature on 10 February 2017 and are subject to redemption or purchase at the option of the Issuer, as further described under “*Terms and Conditions of the Bonds – Redemption or Purchase at the Option of the Issuer*”. Also, the Issuer may purchase or redeem all (but not some only) of the Bonds at their principal amount together with interest accrued to the date of such purchase or, as the case may be, redemption, in the event of certain tax changes as described under “*Terms and Conditions of the Bonds – Redemption or Purchase for Taxation Reasons*”. The Bonds are also subject to redemption at the option of the holders of the Bonds (the “**Bondholders**”), as further described under “*Terms and Conditions of the Bonds – Redemption at the Option of the Bondholders upon a Put Event*”.

The Bonds will be issued on the Issue Date and will initially be represented by a temporary global bond (the “**Temporary Global Bond**”), without interest coupons, which will be issued in the New Global Note (“**NGN**”) form. The Temporary Global Bond will be deposited with a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) on or about 10 February 2010. Interests in the Temporary Global Bond will be exchangeable for interests in a permanent global bond (the “**Permanent Global Bond**”) and, together with the Temporary Global Bond, the “**Global Bonds**”), without interest coupons, on or after a date which is expected to be 22 March 2010, upon certification as to non-U.S. beneficial ownership. The Permanent Global Bond will be exchangeable for definitive Bonds in bearer form, with interest coupons attached, in certain limited circumstances – see “*Summary of Provisions relating to the Bonds while in Global Form*”.

**All investment in the Bonds involves certain risks. Prospective investors should have regard to the factors described under the section headed “*Risk Factors*” in this Prospectus. This Prospectus does not describe all of the risks of an investment in the Bonds.**

The Bonds are expected, on issue, to be rated A3 and A by Moody’s Investors Service, Inc. and Fitch Ratings Ltd. respectively. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

### Joint Lead Managers

Lloyds TSB Corporate Markets    The Royal Bank of Scotland    UBS Investment Bank

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

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

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

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

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

No person is authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information provided by the Issuer in connection with the offering of the Bonds and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Joint Lead Managers or the Trustee or any of them. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

Neither this Prospectus nor any other information provided by the Issuer in connection with the offering of the Bonds constitutes an offer of, or an invitation by or on behalf of, the Issuer or the Joint Lead Managers or any of them to subscribe for, or purchase, any of the Bonds (see “*Subscription and Sale*” below). This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Bonds may be restricted by law in certain jurisdictions. The Issuer and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Lead Managers or any of them which is intended to permit a public offering of the Bonds or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Bonds in the U.S. and the United Kingdom. Persons in receipt of this Prospectus are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Bonds and distribution of this Prospectus, see “*Subscription and Sale*” below.

This Prospectus has been prepared on the basis that any offer of Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Bonds. Accordingly any person making or intending to make an offer in that Relevant Member State of Bonds which are the subject of the offering contemplated in this Prospectus, may only do so in circumstances in which no obligation arises for the Issuer or any of the Joint Lead Managers 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 Joint Lead Managers have authorised, nor do they authorise, the making of any offer of Bonds in circumstances in which an obligation arises for the Issuer or the Joint Lead Managers to publish or supplement a prospectus for such offer.

The Bonds 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, Bonds may not be offered, sold or delivered within the U.S. or to U.S. persons, as defined in Regulation S under the Securities Act. For a description of certain

restrictions on offers and sales of Bonds and on distribution of this Prospectus, see “*Subscription and Sale*”.

The Bonds and Coupons (as defined in “*Terms and Conditions of the Bonds*”) will contain 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.*”

The minimum denomination of the Bonds shall be £50,000 and integral multiples of £1,000 in excess thereof up to and including £99,000. No definitive Bonds will be issued with a denomination above £99,000.

In this Prospectus, unless otherwise specified, all references to “**pounds**”, “**sterling**”, “**£**”, “**p**” or “**pence**” are to the lawful currency of the United Kingdom and references to “**euro**” and “**€**” are to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

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**IN CONNECTION WITH THE ISSUE OF THE BONDS, THE ROYAL BANK OF SCOTLAND PLC (THE “STABILISING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS 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 BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with (i) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 July 2008 together with the auditors' report thereon and the notes thereto appearing on pages 42 to 83 (inclusive) of the Issuer's Annual Report 2008; (ii) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 July 2009 together with the auditors' report thereon and the notes thereto appearing on pages 51 to 95 (inclusive) of the Issuer's Annual Report 2009; (iii) pages 11 to 21 (inclusive) of the section entitled "Business Review" in the Issuer's Annual Report 2009; and (iv) the Trading Update of Close Brothers Group plc dated 22 January 2010, but excluding the paragraph entitled "Outlook" on the second page of such Trading Update.

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

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

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

Copies of the documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Principal Paying Agent for the time being in London and are available for viewing on the Issuer's website at [www.closebrothers.co.uk](http://www.closebrothers.co.uk) and on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html>.

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

## OVERVIEW OF THE BONDS

*The following overview does not purport to be complete and is taken from, and is qualified in entirety by, the remainder of this document including the documents incorporated by reference. Words and expressions defined in the “Terms and Conditions of the Bonds” below shall have the same meaning in this overview.*

Issuer:	Close Brothers Group plc (the “ <b>Issuer</b> ”)
Description:	Unsubordinated Fixed Rate Bonds.
Size:	£200,000,000.
Joint Lead Managers:	Lloyds TSB Bank plc The Royal Bank of Scotland plc UBS Limited
Trustee:	Citicorp Trustee Company Limited
Principal Paying Agent:	Citibank, N.A., London Branch
Issue Price:	99.723 per cent.
Form of Bonds:	Bearer.
Clearing Systems:	Euroclear and Clearstream, Luxembourg.
Currency:	Pounds sterling (£).
Maturity:	10 February 2017.
Denominations:	£50,000 and integral multiples of £1,000 in excess thereof up to and including £99,000. No definitive Bonds will be issued with a denomination above £99,000.
Interest Payment:	Interest on the Bonds will be payable from (and including) 10 February 2010 at the rate of 6.50 per cent. per annum payable semi-annually in arrear on 10 February and on 10 August in each year. See <i>Terms and Conditions of the Bonds – Condition 4, “Interest”</i> .
Status of Bonds:	The Bonds will constitute unconditional, unsubordinated and unsecured obligations of the Issuer as described in <i>Terms and Conditions of the Bonds – Condition 2, “Status”</i> .
Negative Pledge:	The terms of the Bonds will, subject to the exceptions contained in, and in accordance with, Condition 3, “ <i>Negative Pledge</i> ”, contain a negative pledge provision which provides that the Issuer will not, and will ensure, so far as it is able to do so by the proper exercise of voting and other rights or powers

of control exercisable by it in relation to its Subsidiaries, that no Material Subsidiary (as defined in Condition 9, “*Events of Default*”) will, create or have outstanding any Security Interest (as defined in Condition 3, “*Negative Pledge*”) to secure any Relevant Indebtedness (as defined in Condition 3, “*Negative Pledge*”) or to secure any guarantee or indemnity in respect thereof without simultaneously, or prior to, the creation of such Security Interest, securing the Bonds equally and rateably therewith or providing such other Security Interest or making such other arrangement which the Trustee shall deem not materially less beneficial to the interests of the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders, save that the Issuer or any Material Subsidiary may create or have outstanding (without the obligation so to secure the Bonds) a Permitted Security Interest (as defined in Condition 3, “*Negative Pledge*”). See *Terms and Conditions of the Bonds – Condition 3, “Negative Pledge”*.

Events of Default:

The events of default under the Bonds are as specified in the *Terms and Conditions of the Bonds – Condition 9, “Events of Default”* and include a cross default provision in relation to the Issuer or any of its Material Subsidiaries (as defined in Condition 9, “*Events of Default*”) as well as a default provision in the event that (a) Close Brothers Limited (“**CBL**”) ceases to be a wholly-owned Subsidiary (as defined in Condition 9, “*Events of Default*”) of the Issuer; or (b) CBL ceases to be an institution with a Part IV permission under the FSMA (including a permission to accept deposits); or (c) (except for a Permitted Disposal (as defined in Condition 9, “*Events of Default*”)) any member of the CBL Group Disposes (as defined in Condition 9, “*Events of Default*”) of any undertaking property or assets (whether by a single transaction or by a number of transactions whether related or not occurring within the period commencing on the date of publication of the annual audited consolidated balance sheet of the CBL Group for each financial year of the CBL Group and ending on the date of publication of the annual audited consolidated balance sheet of the CBL Group for the next financial year of the CBL Group) which constitutes more than 25% of the total assets of the CBL Group as shown in the most recent publicly available annual audited consolidated balance sheet of the CBL Group at the time of any such Disposal (as defined in Condition 9, “*Events of Default*”).

Early Redemption at the Option of the Bondholders:

The Bondholders may, subject to and in accordance with Condition 5(d), “*Redemption at the Option of the Bondholders upon a Put Event*”, on the occurrence of a Put Event (as defined in Condition 5(d), “*Redemption at the Option of the Bondholders upon a Put Event*”), exercise an option to require

the Issuer to redeem or, at the Issuer's option, purchase or procure that any of its Subsidiaries (as defined in Condition 3, "*Negative Pledge*") purchases, Bonds on the Put Date (as defined in Condition 5(d), "*Redemption at the Option of the Bondholders upon a Put Event*") at the Put Purchase Price (as defined in Condition 5(d), "*Redemption at the Option of the Bondholders upon a Put Event*"), together with interest accrued up to (but excluding) the Put Date.

Early Redemption at the Option of the Issuer:

The Issuer may, subject to and in accordance with Condition 5(c), "*Redemption or Purchase at the Option of the Issuer*", on giving notice to the Bondholders, redeem or purchase, and any of its Subsidiaries (as defined in Condition 3, "*Negative Pledge*") may purchase, all (but not some only) of the Bonds at the Redemption Price (as defined in Condition 5(c), "*Redemption or Purchase at the Option of the Issuer*") together with interest accrued to (but excluding) the date of redemption or, as the case may be, purchase.

Early Redemption for Taxation Reasons:

The Issuer may, subject to and in accordance with Condition 5(b), "*Redemption or Purchase for Taxation Reasons*", on giving notice to the Bondholders, redeem or purchase all (but not some only) of the Bonds at their principal amount outstanding together with interest accrued to (but excluding) the date of such redemption or, as the case may be, purchase if, on the occasion of the next payment of principal or interest in respect of the Bonds, the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 7, "*Taxation*") as a result of any change in, or amendment to, the laws, regulations or treaties of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, or in the application or official interpretation of such laws, regulations or treaties, which change or amendment becomes effective on or after 8 February 2010.

See *Terms and Conditions of the Bonds – Condition 5(b), "Redemption and Purchase for Taxation Reasons"*.

Withholding Tax:

All payments in respect of the Bonds and Coupons (including, for the avoidance of doubt, any payments of the Redemption Price together with interest accrued to (but excluding) the Repurchase Date (as defined in Condition 5(c), "*Redemption or Purchase at the Option of the Issuer*") and any payments of the Put Purchase Price with interest accrued to (but excluding) the Put Date, in each case made by or on behalf of any of the Issuer's Subsidiaries) will be made 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

within the United Kingdom or any political subdivision thereof, or by any authority therein or thereof having power to tax, save as may be required by law. In the event that any such withholding or deduction is required by law, the Issuer will, save in certain customary circumstances provided in Condition 7, “*Taxation*”, be required to pay additional amounts to cover the amounts so deducted. See *Terms and Conditions of the Bonds – Condition 7, “Taxation”*.

- Governing Law: The Bonds will be governed by, and construed in accordance with, English law. Any matter, claim or dispute arising out of or in connection with the Bonds, whether contractual or non-contractual, is to be governed by and determined in accordance with English law.
- Listing: Application has been made to the UK Listing Authority for the Bonds to be admitted to the Official List. Application has also been made to the London Stock Exchange for the Bonds to be admitted to trading on the London Stock Exchange’s Regulated Market.
- Ratings: The Bonds are expected, on issue, to be rated A3 and A by Moody’s Investors Service, Inc. and Fitch Ratings Ltd. respectively. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.
- Selling Restrictions: There are restrictions in relation to the offering and sale of the Bonds and the distribution of offering material in certain jurisdictions. See “*Subscription and Sale*”.

## **RISK FACTORS**

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

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

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer to pay interest, principal or other amounts (including, without limitation, any payments of the Redemption Price together with interest accrued to (but excluding) the Repurchase Date made by or on behalf of the Issuer or any of its Subsidiaries (as defined in Condition 3, "Negative Pledge") in accordance with Condition 5(c), "Redemption or Purchase at the Option of the Issuer" and any payments of the Put Purchase Price together with interest accrued to (but excluding) the Put Date made by or on behalf of the Issuer or any of its Subsidiaries in accordance with Condition 5(d), "Redemption at the Option of the Bondholders upon a Put Event") on or in connection with any Bonds may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

*In these risk factors, "**Group**" means the Issuer and its Subsidiaries (as defined in Condition 3, "Negative Pledge").*

### **Risks specific to the Group's business**

Set out below is a brief description of potential risk factors that could have an impact on the Group's business:

#### **Reputational Risk**

The Group considers a loss of reputation to be the most significant risk to a business operating in the financial services sector and believes that the risk to its reputation would arise as a result of a failure to manage the Group's other risks. However, the Group places the highest importance on risk management at all levels of the organisation and strives to demonstrate the highest level of integrity in all its activities and dedicates significant senior management time and other resources to ensure all employees are aware of the need to display the highest ethical standards in their day to day work. Despite these measures, there can be no assurance that the Group's financial performance will not be adversely affected should unforeseen events relating to reputational risks arise in the future.

#### **Adverse Economic Conditions**

The Group engages in a diversified range of activities within the financial services industry, with the majority of transactions undertaken within the UK. As such the Group has an exposure to global economic conditions generally and to economic conditions in the UK in particular. Economic conditions deteriorated significantly during the latter part of 2008 and in 2009 and the

outlook remains significantly uncertain. The impact of poor economic conditions on the Group's customers and markets has the potential to impact adversely the Group's financial performance and prospects, as well as to increase other risks.

The Group has historically operated a conservative business model and has traded profitably in the financial year ended 31 July 2009 despite worsening economic conditions. While there is limited visibility on future economic conditions, the Group's risk management, internal control systems and overall business model are designed so as to enable it to continue to trade profitably through downturns in the economic cycle. Despite these measures, there can be no assurance that the Group's financial performance will not be adversely affected by future deterioration in economic conditions.

### **Credit/Counterparty Risk**

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

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

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

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

Exposure within the Group's Securities division is limited as the businesses trade in the cash markets with regulated counterparties on a delivery versus payment basis such that any credit exposure is limited to price movements in the underlying securities. Counterparty exposure and settlement failure monitoring controls are in place.

### **Funding Risk**

The Group requires access to sources of funding to support its client lending and in order to grow its business. Significant uncertainty around credit markets remains following the dislocation in those markets seen in the second half of 2008 which continued into 2009. Access to the wholesale credit markets, which the Group has historically utilised to fund a significant proportion of its lending to customers, has been and remains severely restricted. In addition, the cost of wholesale funding, where available, has increased significantly. There is significant uncertainty, particularly in the short term, over the levels of funding that will be available to the Group via the wholesale credit markets. The Group also borrows via the retail market to

augment its traditional wholesale funding, and this market has become increasingly important to the Group's funding.

### **Liquidity Risk**

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

### **Legal and Regulatory Risk**

The Group operates in a highly regulated environment. In light of the current financial crisis, there have been unprecedented levels of government intervention and changes to the legal framework and regulations governing financial institutions and some of these authorities are considering or may in the future consider enhanced or new regulatory and legal rules and requirements (including in relation to taxation).

In particular, on 9 December 2009, the UK government announced that it proposes to introduce in 2010 a new tax ("**Bank Payroll Tax**") on certain remuneration awarded by banks and certain other financial institutions. The proposed legislation is currently in draft form only and is subject to material change. The impact and consequences of Bank Payroll Tax on the Group are uncertain, but it could have a material adverse effect on the Group's profitability.

The nature, effect and impact of future changes (whether currently proposed or actual) in laws, regulations and regulatory policies (including in relation to taxation) are not predictable and are beyond the Group's control, and changes in such laws, regulations and regulatory policies could affect the way the Group conducts business and manages capital and liquidity and may have an adverse effect on the Group's financial condition, results of operations and profitability.

The Group monitors regulatory developments and engages in dialogue with regulatory authorities on a regular basis and continues to maintain a conservative model with a strong, well capitalised balance sheet and believes it is well placed to react to regulatory change.

Each of the Group's regulated businesses has a dedicated compliance officer who is responsible for supporting the business in meeting its regulatory compliance objectives and for executing risk-based monitoring programmes to confirm compliance. The activities of these compliance professionals are co-ordinated and overseen on a Group wide basis by the head of Group compliance to whom they report. Despite these measures, there can be no assurance that the Group's financial performance will not be adversely affected should unforeseen events relating to legal and regulatory risk arise in the future.

The Group cannot predict the timing or form of any current or future regulatory or law enforcement initiatives and no assurance can be given as to the impact of any possible change to the law (including any change in regulation which may occur without a change in primary legislation), administrative practice or tax treatment after the date of this Prospectus nor can any

assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Bonds.

### **Banking Act 2009**

Under the Banking Act 2009 (the “**Banking Act**”), substantial powers have been granted to HM Treasury, the Bank of England and the Financial Services Authority (together, the “**UK Authorities**”) as part of the special resolution regime (the “**SRR**”). These powers may be used to deal with the failure (or likely failure) of a UK-incorporated institution with permission to accept deposits pursuant to Part IV of the FSMA (such as Close Brothers Limited, which is a Subsidiary of the Issuer) and, in certain circumstances, its holding company (even where that holding company is not itself a deposit-taking institution pursuant to Part IV of the FSMA). The SRR consists of three stabilisation options: (i) private sector transfer of all or part of the business of the relevant entity; (ii) transfer of all or part of the business of the relevant entity to a “bridge bank” which is wholly owned by the Bank of England; and (iii) temporary public ownership of the relevant entity or its UK-incorporated holding company. The Banking Act also provides for two new insolvency and administration procedures (i.e. bank insolvency and bank administration). In general, the Banking Act requires the UK Authorities to have regard to specified objectives in exercising the powers provided for by the Banking Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial systems of the United Kingdom.

If an instrument or order were to be made under the Banking Act in respect of Close Brothers Limited or its holding company (which includes the Issuer), such instrument or order may (amongst other things) affect the Issuer and/or members of the Group by creating, modifying or cancelling their contractual arrangements. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified and/or via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined “default events” have occurred. While there is provision for compensation in respect of transfer instruments and orders made under the Banking Act in certain circumstances, there can be no assurance that Bondholders would recover compensation promptly and equal to any loss actually incurred.

At present, the UK Authorities have not made an instrument or order under the Banking Act in respect of the entities referred to above and there has been no indication that any such instrument or order will be made, but there can be no assurance that this will not change and/or that Bondholders will not be adversely affected by any such instrument or order if made in the future.

### **Operational Risk**

In common with any large financial services group, operational risk, which is the risk of loss or other material adverse impact resulting from failed internal processes, people and systems, or from external events, is inherent in the Group’s operations on an on-going basis.

The Group has implemented an operational risk management framework designed to ensure that operational risks are assessed, mitigated and reported in a consistent manner across the Group. The Group has adopted a formal approach to operational risk event reporting which

involves the identification of an event, assessment of its materiality, analysis of the cause, establishment of remedial action required and escalation to divisional or Group level risk committees for monitoring of implementation. The Group is also exposed to fraud risk both internal and external and has continued to review and enhance its anti-fraud controls. Despite the Group's risk management framework, there can be no assurance that the Group's financial performance will not be adversely affected should unforeseen events relating to operational risk arise in the future.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List.

### **Personnel Risk**

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

In order to manage these risks, the Group seeks to create an open and supportive working environment for its employees. Reward and incentive schemes are regularly reviewed in order to ensure that the Group is successful in attracting and retaining the calibre of employees necessary to meet its objectives, while aligning such schemes with risk, compliance and treating customers fairly objectives. The Group has succession plans for key employees. Despite these measures, there can be no assurances that the Group will continue to be able to attract and retain certain key teams and individuals.

### **Technology Risk**

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

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

### **Interest Rate Risk**

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

The Group's policy is to match fixed and variable interest rate liabilities and assets utilising interest rate swaps where necessary. Interest rate mismatch policies are established and compliance is monitored daily. Despite these measures, there can be no assurance that the Group's financial performance will not be adversely affected by unforeseen events relating to interest rate risk in the future. Returns from the Group's capital and reserves are necessarily subject to interest rate fluctuations and as a matter of policy are not hedged.

### **Securities/Derivative Trading Risk**

The Group's securities businesses are exposed to market movements deriving from trading in equity and fixed income securities. Senior management is closely involved in risk management processes which are also monitored at Group level.

There are controls, supplemented by cash limits, on individual large or slow moving equity or fixed income positions. Real time controls on the size and risk profile of trading books and of individual books within these are maintained. Treasury operations do not trade actively in money market instruments although they are held for liquidity purposes. Despite these measures, there can be no assurance that adverse market movements in the future will not have an adverse effect on the Group's financial performance in connection with the trading in equity and fixed income securities.

### **Capital Risk**

Capital risk is the risk that the Group has insufficient capital resources to meet minimum regulatory capital requirements and support its growth and strategic options. It is important to effectively manage the capital base and the underlying risks of the Group's businesses and to optimise returns to shareholders.

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

### **Foreign Exchange Risk**

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

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

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

## **Pandemic**

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

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

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

## **Integration of Acquisitions**

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

## **Structural Subordination and Dependencies**

The Issuer is a holding company and therefore many of the Group's risks reside in Subsidiaries and affiliated companies. The Issuer's ability to meet its financial obligations is dependent upon the availability of cash flows from members of the Group through dividends, inter-company loans and other payments.

Claims by the creditors of the Issuer's Subsidiaries may adversely affect the ability of such Subsidiaries to support the Issuer in fulfilling its obligations. The Issuer's obligation to make payments on the Bonds issued by it is solely an obligation of the Issuer and will not be guaranteed by any of its Subsidiaries or affiliates. Claims by the creditors of the Issuer's Subsidiaries will rank ahead of the claims of the Bondholders in relation to the assets of such Subsidiaries.

## **Competition Risk**

The market for UK financial services is highly competitive, and such competition may be expected to intensify in response to competitor behaviour, consumer demand, technological changes, the impact of consolidation, regulatory actions and/or other factors. If financial markets remain unstable, financial institution consolidation may accelerate. The Group's financial condition and results of operations may be materially and adversely affected by competition,

including declining lending margins or competition for savings. If the Group is not successful in retaining and strengthening customer relationships, it may lose market share, incur losses on some or all of its activities or fail to attract new and retain existing deposits, which could materially and adversely affect its financial position and results of operations.

***Factors which are material for the purpose of assessing the risks associated with the Bonds***

**The Bonds may not be a suitable investment for all investors**

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

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

**Risks relating to the Bonds generally**

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

*Optional Redemption by the Issuer*

The optional redemption feature in Condition 5(c), "*Redemption or Purchase at the Option of the Issuer*", may limit the market value of the Bonds. Subject to giving notice in accordance with the Terms and Conditions of the Bonds, the Issuer may elect to redeem the Bonds at any time, and the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed. The Issuer may be expected to redeem the Bonds when its cost of borrowing is lower than the interest rate on the Bonds. 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 Bonds 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.

### *Modification, waivers and substitution*

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

The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of the Bondholders or Couponholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Bonds or (ii) determine, without the consent of the Bondholders, that any Event of Default or Potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Bonds in place of the Issuer, as described in Condition 10, “*Meetings of Bondholders, Modification, Waiver and Substitution*” of the Terms and Conditions of the Bonds.

### *European Monetary Union*

If the United Kingdom joins the European Monetary Union prior to the maturity of the Bonds, there is no assurance that this would not adversely affect investors in the Bonds. It is possible that prior to the maturity of the Bonds the United Kingdom may become a participating Member State and that the euro may become the lawful currency of the United Kingdom. In that event: (i) all amounts payable in respect of the Bonds may become payable in euro; and (ii) the law may allow or require the Bonds to be re-denominated into euro and additional measures to be taken in respect of the Bonds. The introduction of the euro could also be accompanied by a volatile interest rate environment, which could adversely affect investors in the Bonds.

### *EU Savings Directive*

Under European Council Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”), each Member State of the European Union is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required, unless during such period those countries elect otherwise, to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of other non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

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

On 24 April 2009, the European Parliament approved an amended version of certain changes proposed by the European Commission to the Savings Directive which would, if implemented, cause the requirements described above to apply in a wider range of circumstances.

### *Change of law*

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

### *Integral multiples of less than £50,000*

Although the Bonds are required to have a minimum denomination of £50,000, it is possible that the Bonds may be traded in the clearing systems in amounts in excess of £50,000 that are not integral multiples of £50,000. In such a case, should definitive Bonds be required to be issued, they will be issued in principal amounts of £50,000 and higher integral multiples of £1,000 up to a maximum of £99,000 but will in no circumstances be issued to Bondholders who hold Bonds in the relevant clearing system in amounts that are less than £50,000.

If definitive Bonds are issued, Bondholders should be aware that definitive Bonds which have a denomination that is not an integral multiple of £50,000 may be illiquid and difficult to trade.

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

The Bonds are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Bonds are upon issue deposited with one of the international central securities depositories (“**ICSDs**”) as common safekeeper and does not necessarily mean that the Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem (“**Eurosystem Eligible Collateral**”) either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and other obligations (including the provision of further information) as specified by the European Central Bank from time to time. The Issuer does not give any representation, warranty, confirmation or guarantee to any investor in the Bonds that the Bonds will, either upon issue, or at any or all times during their life, satisfy all or any requirements for Eurosystem eligibility and be recognised as Eurosystem Eligible Collateral. Any potential investor in the Bonds should make their own conclusions and seek their own advice with respect to whether or not the Bonds constitute Eurosystem Eligible Collateral.

*Because the Global Bonds are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on the procedures of those clearing systems for transfer, payment and communication with the Issuer*

The Bonds will be represented by the Global Bonds except in certain limited circumstances described in the Permanent Global Bond. The Global Bonds will be delivered to a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances (including, without limitation, upon notice having been given by the Trustee following the occurrence of an Event of Default) described in the Permanent Global Bond, investors will not be entitled to receive Bonds in definitive form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Bonds. While the Bonds are represented by the Global Bonds, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and the Issuer will discharge its payment obligations under the Bonds by procuring that payments are made to the common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in a Global Bond must rely on the procedures of Euroclear and

Clearstream, Luxembourg to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bonds.

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

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

#### *The secondary market generally*

The Bonds 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 Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

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

The Issuer will pay principal and interest on Bonds in sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to sterling would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds.

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

#### *Interest rate risks*

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

#### *Inflation risk*

The value of future payments of interest and principal may be reduced as a result of inflation as the real rate of interest on an investment in the Bonds will be reduced at rising inflation rates and may be negative if the inflation rate rises above the nominal rate of interest on the Bonds.

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

The Bonds are expected, on issue, to be rated A3 and A by Moody's Investors Service, Inc. and Fitch Ratings Ltd. respectively and one or more other independent credit rating agencies may from time to time assign credit ratings to the Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other

factors that may affect the value of the Bonds. 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.

**Legal investment considerations may restrict certain investments**

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

## TERMS AND CONDITIONS OF THE BONDS

*The following, subject to minor amendment, are the Terms and Conditions of the Bonds, substantially as they will appear on the Bonds in definitive form (if issued).*

The £200,000,000 6.50 per cent. Bonds due 2017 (the "**Bonds**", which expression shall in these Conditions, unless the context otherwise requires, include any further bonds issued pursuant to Condition 14 and forming a single series therewith) of Close Brothers Group plc (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on or about 10 February 2010, being the date of the issue of the Bonds (the "**Issue Date**"), between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds (the "**Bondholders**"). These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds and Coupons referred to below.

The issue of the Bonds was authorised by a resolution of the Board of Directors of the Issuer passed on 20 January 2010.

Payments in respect of the Bonds will be made pursuant to an agency agreement (the "**Agency Agreement**") dated on or about 10 February 2010 and made between the Issuer, the Trustee and Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**", and together with any other paying agents appointed under the Agency Agreement from time to time, the "**Paying Agents**", which expression shall include any additional paying agents or successor, successors, assign or assigns as paying agents under the Agency Agreement). Copies of the Trust Deed and the Agency Agreement are available for inspection at the specified office for the time being of the Trustee, being at the Issue Date, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom, and at the specified office of the Principal Paying Agent, being at the Issue Date, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom. The Bondholders and the holders of the interest coupons (the "**Couponholders**") appertaining to the Bonds (the "**Coupons**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those applicable to them of the Agency Agreement.

### 1. Form, Denomination and Title

The Bonds are issued in bearer form, serially numbered, with Coupons attached on issue, in denominations of £50,000 and integral multiples of £1,000 in excess thereof up to and including £99,000. Bonds of one denomination may not be exchanged for Bonds of any other denomination. No definitive Bonds will be issued with a denomination above £99,000. Title to the Bonds and to the Coupons will pass by delivery.

The Issuer, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Bond or Coupon as the absolute owner for all purposes (whether or not the Bond or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Bond or Coupon or any notice of previous loss or theft of the Bond or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer and no person will be liable for so treating the bearer.

## 2. Status

The Bonds and the Coupons constitute unconditional, unsubordinated and (subject to Condition 3) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds and Coupons shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

## 3. Negative Pledge

So long as any of the Bonds remains outstanding (as defined in the Trust Deed) the Issuer will not, and the Issuer will ensure, so far as it is able to do so by the proper exercise of voting and other rights or powers of control exercisable by it in relation to its Subsidiaries, that none of its Material Subsidiaries (as defined in Condition 9) will, create or have outstanding any mortgage, charge, pledge, lien or other encumbrance (other than any arising by operation of law) (each a “**Security Interest**”) upon the whole or any part of its or their respective undertakings, assets or revenues present or future, to secure any Relevant Indebtedness (as defined below) or to secure any guarantee or indemnity in respect thereof, without simultaneously with, or prior to, the creation of such Security Interest, securing the Bonds equally and rateably therewith to the satisfaction of the Trustee, or providing such other Security Interest therefor or making such other arrangement which the Trustee in its absolute discretion shall deem not materially less beneficial to the interests of the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders, save that the Issuer or any Material Subsidiary may create or have outstanding (without the obligation so to secure the Bonds) a Permitted Security Interest.

For the purposes of these Conditions:

“**Non-recourse Indebtedness**” means, at any time, any indebtedness for moneys borrowed to finance the ownership, acquisition, development and/or operation of an asset or assets in respect of which the person or persons to whom any such indebtedness for moneys borrowed is or may be owed by the relevant borrower has or have no recourse whatsoever to the Issuer or any Subsidiary within the Group (as defined in Condition 9) for the repayment thereof other than:

- (i) recourse to such borrower for amounts limited to the cash flow or net cash flow from such asset; and/or
- (ii) recourse to such borrower for the purpose only of enabling amounts to be claimed in respect of such indebtedness for moneys borrowed in an enforcement of any Security Interest given by such borrower over such asset or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such indebtedness for moneys borrowed, provided that (A) the extent of such recourse to such borrower (or any such shareholder or the like) is limited solely to the amount of any recoveries made on such enforcement, and (B) such person or persons are not entitled, by virtue of any right or claim arising out of or in connection with such indebtedness for moneys

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

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

**“Relevant Indebtedness”** means any indebtedness for moneys borrowed (as defined in Condition 9) which is in the form of, or represented or evidenced by, bonds, notes, debentures, debenture stock, loan stock or other securities which for the time being are, or are intended to be, or are capable of being, quoted, listed, dealt in or traded on a stock exchange or other recognised securities market other than (i) indebtedness which has a stated maturity not exceeding one year or (ii) Non-recourse Indebtedness;

**“Permitted Security Interest”** means:

- (a) any Security Interest existing on 8 February 2010;
- (b) any Security Interest which secures any Relevant Indebtedness which exists on any undertaking or asset of the Issuer or any Material Subsidiary which asset or undertaking or which Material Subsidiary is acquired after 8 February 2010 provided that such Security Interest existed at the date of such acquisition, was not granted in contemplation of the acquisition and the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition and any Security Interest over the same undertaking or asset which is given for the purpose of, and to the extent of, the refinancing of any such Relevant Indebtedness;
- (c) any Security Interest as shall have been previously approved in writing by the Trustee (which may only be so approved if the Trustee is of the opinion that to do so will not be materially prejudicial to the interests of the Bondholders); and
- (d) any other Security Interest provided that the amount of Relevant Indebtedness secured thereby together with the aggregate amount of all other Relevant Indebtedness secured by Security Interests permitted by this paragraph (d) is less than £20,000,000 (or its equivalent in any other currency or currencies); and

**“Subsidiary”** means any entity which is for the time being a subsidiary within the meaning of Section 1159 of the Companies Act 2006.

#### **4. Interest**

##### **(a) *Interest Rate and Interest Payment Date***

Each Bond bears interest on its outstanding principal amount from and including the Issue Date at the rate of 6.50 per cent. per annum, such interest being payable semi-

annually in arrear on 10 February and 10 August in each year (each an “**Interest Payment Date**”). The first payment (for the period from and including the Issue Date to but excluding 10 August 2010 and amounting to £32.50 per £1,000 principal amount of Bonds) shall be made on 10 August 2010.

**(b) Interest Accrual**

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

**(c) Calculation of Broken Interest**

When interest is required to be calculated in respect of a period of less than a full six months, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the “**Accrual Date**”) to but excluding the date on which it falls due divided by (b) the product of (i) the actual number of days from and including the Accrual Date to, but excluding, the next following Interest Payment Date and (ii) two.

**5. Redemption and Purchase**

**(a) Scheduled Redemption**

Unless previously redeemed or purchased and cancelled as provided below, each Bond shall be finally redeemed at its principal amount on 10 February 2017.

**(b) Redemption or Purchase for Taxation Reasons**

If, as a result of any change in, or amendment to, the laws, regulations or treaties of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, or in the application or official interpretation of such laws, regulations or treaties, which change or amendment becomes effective on or after 8 February 2010, on the occasion of the next payment due under the Bonds, the Issuer would be unable to make such payment without being obliged to pay Additional Amounts (as defined in Condition 7) on, or in connection with, the Bonds and such obligation to pay Additional Amounts cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 15 (which notice shall be irrevocable), purchase or redeem all (but not some only) of the Bonds at their principal amount outstanding (the “**Taxation Purchase Price**”) together with interest accrued to (but excluding) the date fixed for such purchase or, as the case may be, redemption, provided that no such notice of purchase or, as the case may be, notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would be required to pay such Additional Amounts were a payment in respect of the Bonds then due. If any such notice has been given, references in these Conditions and the Trust Deed to “principal”, “principal moneys” and “principal amount” shall, unless the context otherwise requires, be deemed to include references to the Taxation Purchase Price in relation to any redemption or purchase pursuant to such notice.

Prior to the publication of any notice of redemption or, as the case may be, purchase pursuant to this Condition 5(b), the Issuer shall deliver to the Trustee (i) a certificate signed by two Authorised Signatories (as defined in the Trust Deed) of the Issuer stating that the Issuer is entitled to effect such redemption or, as the case may be, purchase, and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem or, as the case may be, purchase have occurred and (ii) an opinion of an independent lawyer or accountant 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. The Trustee shall, without enquiring and without any liability therefor, accept such certificate and opinion as sufficient evidence of the satisfaction of the relevant requirements or circumstances referred to above, and such certificate and opinion shall be conclusive and binding on the Bondholders and the Couponholders.

**(c) *Redemption or Purchase at the Option of the Issuer***

On giving not less than 10 nor more than 20 days' notice to the Bondholders in accordance with Condition 15 (which notice shall be irrevocable), the Issuer may redeem or purchase, and any of its Subsidiaries may purchase, all (but not some only) of the Bonds for the time being outstanding at any time at the Redemption Price (as defined below) together with interest accrued to (but excluding) the date of redemption or, as the case may be, purchase (the "**Repurchase Date**").

The "**Redemption Price**" shall be (a) the principal amount outstanding of the Bonds or, if greater, (b) the principal amount outstanding of the Bonds multiplied by the price (as reported in writing to the Issuer and the Trustee by an independent financial adviser appointed by the Issuer and approved by the Trustee, such approval not to be unreasonably withheld or delayed) at which the Gross Redemption Yield on the Bonds (if the Bonds were to remain outstanding until the date for their final scheduled redemption specified in Condition 5(a)) on the Calculation Date is equal to the Gross Redemption Yield at 11.00 a.m. (London time) on the Calculation Date of 4 per cent. Treasury Stock due 2016 (or, where such financial adviser advises the Issuer and the Trustee that, for reasons of illiquidity or otherwise, such stock is not appropriate for such purpose, such other government stock as such financial adviser may recommend) plus 0.50 per cent. For such purposes, "**Calculation Date**" means the date which is the second Business Day prior to the Repurchase Date and "**Gross Redemption Yield**" means a yield calculated in accordance with generally accepted market practice at such time, as advised to the Trustee by such financial adviser.

The notice given pursuant to this Condition 5(c) shall be given by the Issuer and shall specify the Repurchase Date. If any such notice has been given, references in these Conditions and the Trust Deed to "principal", "principal moneys" and "principal amount" shall, unless the context otherwise requires, be deemed to include references to the Redemption Price in relation to any redemption or purchase pursuant to such notice. Upon the expiry of any such notice, the Issuer or the relevant Subsidiary, as the case may be, shall be bound to purchase (and the Bondholders shall be bound to sell) or, as the case may be, redeem all the Bonds at the applicable Redemption Price on the Repurchase Date together with accrued interest as aforesaid unless previously purchased or redeemed. The Trustee shall rely absolutely on the advice of the financial adviser and shall not be liable for so doing.

**(d) Redemption at the Option of the Bondholders upon a Put Event**

A “**Put Event**” shall be deemed to have occurred, if while any Bond remains outstanding:

- (i) a Change of Control Event occurs or a Winterflood Disposal Event occurs; and
- (ii) at the commencement of the Put Period, the Bonds carry from any Rating Agency:
  - (A) an investment grade credit rating (being at or above Baa3/BBB–, or their respective equivalent for the time being), and such rating from any Rating Agency is within the Put Period either downgraded to a non-investment grade credit rating (being at or below Ba1/BB+, or their respective equivalent for the time being) or withdrawn and is not within the Put Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such Rating Agency; or
  - (B) a non-investment grade credit rating (being at or below Ba1/BB+, or their respective equivalent for the time being), and such rating from any Rating Agency is within the Put Period downgraded by one or more notches (for illustration, Ba1/BB+ to Ba2/BB being one notch) or withdrawn and is not within the Put Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or better by such Rating Agency; or
  - (C) no credit rating, and no Rating Agency assigns within the Put Period an investment grade credit rating to the Bonds,

provided that if at the commencement of the Put Period the Bonds carry a credit rating from more than one Rating Agency, at least one of which is investment grade, then sub-paragraph (A) will apply; and

- (iii) in making the relevant decision(s) referred to above, the relevant Rating Agency announces or publicly confirms or informs the Trustee in writing that such decision(s) resulted, in whole or in part, from any event or circumstance comprised in or arising as a result of the applicable Change of Control Event or Winterflood Disposal Event, as the case may be.

If a Put Event occurs while any Bond is outstanding (unless the Issuer has given notice under Condition 5(b) or Condition 5(c)):

- (x) the Issuer shall upon becoming aware of the occurrence of a Put Event and in any event within 10 Business Days after the occurrence of such Put Event, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders, the Trustee shall (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a

“**Put Event Notice**”) to the Bondholders in accordance with Condition 15 specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 5(d); and

- (y) the holder of each Bond will have the option to require the Issuer to redeem or, at the Issuer’s option, purchase, or any of its Subsidiaries may purchase, that Bond on the Put Date at its principal amount (the “**Put Purchase Price**”), together with interest accrued up to (but excluding) the Put Date.

If any such Put Event Notice has been given, references in these Conditions and the Trust Deed to "principal", "principal moneys" and "principal amount" shall, unless the context otherwise requires, be deemed to include references to the Put Purchase Price in relation to any redemption or purchase pursuant to such Put Event Notice.

Such option may be exercised by each Bondholder by delivering its Bond(s), on any Business Day falling within the period (the “**Put Exercise Period**”) of 45 days after a Put Event Notice is given, at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a “**Put Notice**”) and in which the Bondholder may specify a bank account (in the currency of the Bonds) to which payment is to be made under this Condition 5(d).

The Bonds should be delivered together with all Coupons appertaining thereto maturing after the date (the “**Put Date**”) being the seventh day after the expiry of the Put Exercise Period, failing which the Principal Paying Agent will require payment of an amount equal to the face value of any missing such Coupon. The Paying Agent to which such Bond and Put Notice are delivered will issue to the Bondholder concerned a non-transferable receipt in respect of the Bond so delivered. Payment in respect of any Bond so delivered will be made, if the Bondholder duly specified a bank account (in the currency of the Bonds) in the Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Put Notice, once given, shall be irrevocable. For the purposes of Condition 6 (Payments) and certain other purposes specified in the Trust Deed, receipts issued pursuant to this Condition 5(d) shall be treated as if they were Bonds. The Issuer shall redeem or, at its option, purchase, or procure that any of its Subsidiaries purchases, the relevant Bonds on the Put Date each at its Put Purchase Price, together with any interest accrued up to (but excluding) the Put Date unless previously redeemed or purchased and cancelled.

If the relevant Bonds are held through Euroclear Bank S.A./N.V. (“**Euroclear**”) or Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”), to exercise the option described in this Condition 5(d) the Bondholder must, within the Put Exercise Period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Bondholder’s instruction by Euroclear or Clearstream, Luxembourg or any common safekeeper for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

If 80 per cent., or more in principal amount of the Bonds outstanding immediately prior to the giving of a Put Event Notice have been redeemed or purchased pursuant to the foregoing provisions of this Condition 5(d), the Issuer may, on not less than 30 or more than 60 days' notice to the Bondholders given within 30 days after the Put Date, redeem, at its option, the remaining Bonds as a whole at their principal amount, together with interest accrued up to (but excluding) the date of such redemption.

If the rating designations relating to the determination of investment grade ratings and/or non-investment grade ratings employed by Moody's Investors Service, Inc. or Fitch Ratings Ltd. are changed from those which are described in paragraph (ii) above, or if a rating is procured from any another Rating Agency, the Issuer shall determine, with the agreement of the Trustee (not to be unreasonably withheld or delayed), the rating designations of Moody's Investors Service, Inc. or Fitch Ratings Ltd. or such other Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody's Investors Service, Inc. or Fitch Ratings Ltd., and this Condition shall be construed accordingly.

The Trustee is under no obligation to ascertain whether a Put Event or any event which could lead to the occurrence of or could constitute a Put Event has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Put Event or other such event has occurred.

For the purpose of this Condition 5(d):

A "**Change of Control Event**" shall be deemed to have occurred if any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers) or any person(s) acting on behalf of any such person(s) (the "**Relevant Person**") at any time is/are or become(s) interested (within the meaning of Part 22 of the Companies Act 2006) in (a) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (b) such number of shares in the capital of the Issuer as carry more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer provided that a Change of Control Event shall not occur if all or substantially all of the shareholders of the Relevant Person immediately after the event which would otherwise have constituted a Change of Control Event are the shareholders of the Issuer immediately prior to the event which would otherwise have constituted a Change of Control Event with the same (or substantially the same) pro rata interests in the share capital of the Relevant Person as such shareholders had in the share capital of the Issuer immediately prior to such event;

"**Put Period**" means the period:

- (i) commencing on the date that is earlier of (a) the date of the relevant Change of Control Event or the Winterflood Disposal Event, as the case may be, and (b) the date of the earliest Relevant Potential Put Event Announcement (if any); and
- (ii) ending 90 days after the date of the Change of Control Event or the Winterflood Disposal Event, as the case may be, or such longer period during which the Bonds are under consideration by a Rating Agency for rating or rating review (such consideration having been announced publicly within the period ending 90 days after the date of the Change of Control Event or the Winterflood Disposal Event).

Disposal Event, as the case may be, and such period not to exceed 60 days after the public announcement of such consideration);

**“Rating Agency”** means Moody’s Investors Service, Inc. or Fitch Ratings Ltd. or any other rating agency specified by the Issuer from time to time with the prior written approval of the Trustee and, in each case, including their successors;

**“Relevant Potential Put Event Announcement”** means:

- (i) in the case of a potential Change of Control Event, any public announcement or statement by or on behalf of the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control Event where, within 180 days of the date of such announcement or statement, a Change of Control Event occurs, or
- (ii) in the case of a potential Winterflood Disposal Event, any public announcement or statement by or on behalf of Winterflood, the Issuer, any actual or potential purchaser of Winterflood or any adviser acting on behalf of any actual or potential purchaser of Winterflood relating to any potential Winterflood Disposal Event where, within 180 days of the date of such announcement or statement, a Winterflood Disposal Event occurs; and

A **“Winterflood Disposal Event”** shall be deemed to have occurred if Winterflood Securities Limited (**“Winterflood”**) ceases to be a Subsidiary of the Issuer.

**(e) Purchases**

Notwithstanding Conditions 5(a), (b), (c) and (d) above, the Issuer or any of its Subsidiaries may at any time purchase Bonds (provided that all unmatured Coupons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Bonds held by or on behalf of the Issuer or any of its Subsidiaries shall not entitle the holder to vote at any meetings of the Bondholders and such Bonds shall be deemed not to be outstanding for the purposes of, *inter alia*, calculating quorums at meetings of Bondholders or for the purposes of Condition 9, Condition 10 and Condition 11.

**(f) Cancellation**

All Bonds redeemed or purchased by the Issuer pursuant to Condition 5(b) or Condition 5(c) will be cancelled or held for cancellation (together with all unmatured Coupons attached thereto or surrendered therewith) and may not be re-issued or resold. Save in the case of a purchase by the Issuer pursuant to Condition 5(b) or Condition 5(c), all Bonds purchased by or on behalf of the Issuer may, at the option of the Issuer, be held, reissued or resold and/or surrendered at any time for cancellation by surrendering each such Bond together with all unmatured Coupons to the Principal Paying Agent and, if so surrendered, shall, together with all Bonds redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons attached thereto or surrendered therewith). Any Bonds so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged. All

Bonds purchased by or on behalf of the Issuer's Subsidiaries may, at the option of the relevant Subsidiary, be held or resold.

**(g) Multiple Notices**

If more than one notice of redemption is given pursuant to this Condition 5, the first of such notices to be given shall prevail.

**(h) Trustee Not Obligated to Monitor**

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

**6. Payments**

**(a) Payments**

Payments of principal and interest in respect of the Bonds will, subject as mentioned below, be made against presentation and surrender (or, in the case of a partial payment, endorsement) of the relevant Bonds and payments of interest due on an Interest Payment Date will be made against payment and surrender (or, in the case of a partial payment, endorsement) of the relevant Coupons in each case at the specified office of any Paying Agent by a sterling cheque drawn on or, at the option of the holder, by transfer to a sterling account maintained by the payee with, a bank in London.

**(b) Payments subject to Laws**

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.

**(c) Appointment of Agents**

The Principal Paying Agent initially appointed by the Issuer under the Agency Agreement and its specified office is listed above. The Principal Paying Agent and the Paying Agents act solely as agents of the Issuer (or, in the circumstances set out in the Agency Agreement, after the occurrence of an Event of Default or a Potential Event of Default (as defined in the Trust Deed), the Trustee) and do not assume any obligation or relationship of agency or trust for or with any Bondholder or Couponholder. The Issuer reserves the right at any time, with the approval of the Trustee, to vary or terminate the appointment of the Principal Paying Agent or any other Paying Agent and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Paying Agent with a specified office in London so long as the Bonds are admitted to the Official List of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 and

admitted to trading on the London Stock Exchange plc's Regulated Market and (iii) a Paying Agent with a specified office in a Member State of the European Union (so long as there is such a Member State) that will not be obliged to withhold or deduct tax pursuant to any law implementing or complying with, or introduced in order to conform to, European Council Directive 2003/48/EC.

Notice of any change in the Paying Agents or their specified offices shall promptly be given to the Bondholders in accordance with Condition 15.

**(d) *Unmatured Coupons***

Each Bond should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of the relevant Bond (whether or not the Coupon would otherwise have become void pursuant to Condition 8) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

**(e) *Non-Business Days***

If any date for payment in respect of any Bond or Coupon is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment.

In these Conditions, "**Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business:

- (i) (in the case of this Condition 6) in the place where such Bond or Coupon is presented for payment and, in the case of payment by transfer to a sterling account as referred to in Condition 6(a) above, in London; or
- (ii) (in the case of Condition 5(d)) in the place where such Bond or Coupon is delivered; or
- (iii) in any other case, in London.

**7. Taxation**

All payments of principal and interest by or on behalf of the Issuer (including any payments of the Redemption Price together with interest accrued to (but excluding) the Repurchase Date made by or on behalf of any of the Issuer's Subsidiaries in accordance with Condition 5(c), and any payments of the Put Purchase Price together with interest accrued to (but excluding) the Put Date made by or on behalf of any of the Issuer's Subsidiaries in accordance with Condition 5(d)) in respect of the Bonds and the Coupons 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 within the United Kingdom or any political subdivision thereof or by any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Bondholders and Couponholders 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 with respect to any Bond or Coupon:

**(a) Other connection**

to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of the Bond or Coupon; or

**(b) Lawful elimination of withholding**

to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Bond or Coupon is presented for payment; or

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

presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day (assuming such day to have been a Business Day); or

**(d) Payment to individuals**

where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, European Council Directive 2003/48/EC; or

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

presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying Agent in a Member State of the European Union.

For the purposes of these Conditions:

**“Relevant Date”** in respect of any Bond or Coupon means the date on which payment in respect of it first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which the full amount of the money having been so received, notice to that effect has been duly given to the Bondholders by the Issuer in accordance with Condition 15.

References in these Conditions to “principal” and/or “interest” shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed (“**Additional Amounts**”).

## **8. Prescription**

Claims against the Issuer for payment in respect of the Bonds and Coupons shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the Relevant Date in respect of them, subject to the provisions of Condition 6(d).

## **9. Events of Default**

If any of the following events ("**Events of Default**") occurs, the Trustee at its discretion may, and if so requested by holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction (but, in the case of the occurrence of any of the events referred to in paragraphs (ii) to (x) (inclusive) below other than paragraphs (iii) and (iv) (in relation to the Issuer only in each case), only if the Trustee has certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Bondholders), give notice to the Issuer that the Bonds are, and they shall immediately become, due and repayable at their principal amount together with accrued interest:

- (i) if default is made for a period of 14 days or more in the payment of any interest or for a period of 7 days or more in the payment of principal due in respect of the Bonds or any of them; or
- (ii) if default is made by the Issuer in the performance or observance of any obligation, condition or provision binding upon it under the Bonds or the Trust Deed (other than any obligation for the payment of any principal or interest in respect of the Bonds) and, except where such default is, in the opinion of the Trustee, not capable of remedy or cure when no such continuation or notice as is hereinafter mentioned will be required, such default continues for 30 days (or such longer period as the Trustee may permit) after written notice thereof has been given by the Trustee to the Issuer requiring the same to be remedied; or
- (iii) if an order is made or an effective resolution is passed for the winding up of, or an administration order is made in relation to, the Issuer or any of its Material Subsidiaries (save (a) with the prior written consent of the Trustee or the prior sanction of an Extraordinary Resolution of the Bondholders or (b) in the case of a Material Subsidiary, for a voluntary solvent winding-up where surplus assets are available for distribution and are distributed to another member of the Group); or
- (iv) if the Issuer or any of its Material Subsidiaries stops payment to its creditors generally or is unable to pay its debts within the meaning of Section 123(1)(e) or Section 123(2) of the Insolvency Act 1986; or
- (v) if the Issuer ceases or threatens through an official action of its board of directors to cease to carry on its business or substantially the whole of its business (except for the

purposes of, or in connection with, a reconstruction, reorganisation, amalgamation or other matter the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution); or

- (vi) if (a) Close Brothers Limited (“**CBL**”) ceases to be a wholly-owned Subsidiary of the Issuer; or (b) CBL ceases to be an institution with a Part IV permission under the FSMA (including a permission to accept deposits); or (c) (except for a Permitted Disposal) any member of the CBL Group Disposes of any undertaking, property or assets (whether by a single transaction or by a number of transactions whether related or not occurring within the period commencing on the date of publication of the annual audited consolidated balance sheet of the CBL Group for each financial year of the CBL Group and ending on the date of publication of the annual audited consolidated balance sheet of the CBL Group for the next financial year of the CBL Group) which constitutes more than 25% of the total assets of the CBL Group as shown in the most recent publicly available annual audited consolidated balance sheet of the CBL Group at the time of any such Disposal; or
- (vii) if an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the undertaking, property and assets (excluding any undertaking, property or assets over which a Security Interest has been given to secure any Non-recourse Indebtedness) of the Issuer or any of its Material Subsidiaries or if a distress or execution is levied or enforced upon or sued out against the whole or any substantial part of the assets or property (excluding any assets or property over which a Security Interest has been given to secure any Non-recourse Indebtedness) of the Issuer or any of its Material Subsidiaries and, in the case of any of the foregoing events (other than the appointment of an administrator), is not discharged within 30 days or such longer period as the Trustee may allow; or
- (viii) if the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (ix) if (A) any indebtedness for moneys borrowed (as defined below) other than Non-recourse Indebtedness (as defined in Condition 3) of the Issuer or any of its Material Subsidiaries is not paid on its due date (or, if later and if applicable, by the expiry of any applicable grace period) or is declared to be, or automatically becomes, due and payable prior to its stated maturity by reason of an event of default (however described), or (B) any guarantee or indemnity in respect of indebtedness for moneys borrowed of any third party given by the Issuer or any of its Material Subsidiaries is not honoured when due and called upon (or, if later and if applicable, by the expiry of any applicable grace period), provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or all of the events set out in subparagraphs (A) and (B) above of this paragraph (ix) has occurred is at least £20,000,000 (or its equivalent in any other currency or currencies); or

- (x) if any event occurs which, under the laws of the relevant jurisdiction, has or could reasonably be expected to have, in the Trustee's opinion, an analogous effect to any of the events referred to in paragraphs (iii), (iv), (vii) or (viii) above.

For the purposes of these Conditions:

**"CBL Group"** means CBL and its Subsidiaries;

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

**"Group"** means the Issuer and its Subsidiaries;

**"indebtedness for moneys borrowed"** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities, or any borrowed money;

**"Material Subsidiary"** means at any time a Subsidiary within the Group:

- (a) whose (i) total gross assets (as shown in its most recent annual audited accounts and consolidated in the case of a Subsidiary which ordinarily produces consolidated accounts) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Group relate, are equal to) not less than 10 per cent. of the consolidated total gross assets of the Group taken as a whole; or (ii) total operating income (as shown in its most recent annual audited accounts and consolidated in the case of a Subsidiary which ordinarily produces consolidated accounts) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Group relate, are equal to) not less than 5 per cent. of the consolidated total operating income of the Group taken as a whole, all as calculated respectively by reference to the latest accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Group; provided that in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Group relate, the reference to the then latest audited consolidated accounts of the Group for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary within the Group which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (b) on the date on which the consolidated accounts of the Group for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time

after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above; or

- (c) to which is transferred an undertaking or assets of a Subsidiary within the Group which, when taken together with the undertaking or assets of the transferee Subsidiary, (i) generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Group relate, generate total operating income equal to) not less than 5 per cent. of the consolidated total operating income of the Group taken as a whole, or (ii) represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of the Group taken as a whole, all as calculated as referred to in subparagraph (a) above, provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate total operating income equal to) not less than 5 per cent. of the consolidated total operating income of the Group taken as a whole, or its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of the Group taken as a whole, all as calculated as referred to in subparagraph (a) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (c) on the date on which the consolidated accounts of the Group for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition,

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

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

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

**“wholly-owned Subsidiary”** shall have the meaning given to it in section 1159 of the Companies Act 2006.

## **10. Meetings of Bondholders, Modification, Waiver and Substitution**

### **(a) Meetings of Bondholders**

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of any modification of these Conditions or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer at the request of Bondholders holding not less than ten per cent. in principal amount of the Bonds for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons present and holding or representing in the aggregate more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons present and holding or representing Bondholders whatever the principal amount of the Bonds so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Bonds, the Coupons or the Trust Deed (including modifying any date for payment of principal or interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Bonds or altering the currency of payment of the Bonds, or the Coupons, all as more particularly described in the Trust Deed), the quorum shall be one or more persons present and holding or representing not less than two-thirds in principal amount of the Bonds for the time being outstanding, or at any adjourned such meeting one or more persons present and holding or representing not less than one-third in principal amount of the Bonds for the time being outstanding.

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-quarters of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-quarters in principal amount of the Bonds for the time being outstanding or (iii) consents given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holder(s) of not less than three-quarters in principal amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Bondholders. An Extraordinary Resolution of the Bondholders shall be binding on all the Bondholders, whether or not they vote on such resolution, and on all Couponholders.

### **(b) Modification of the Trust Deed**

The Trust Deed provides that the Trustee may agree, without the consent of the Bondholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, or determine (without the consent of the Bondholders or Couponholders) that any Event of Default or Potential Event of Default shall not be treated as such, if such agreement or determination (without consent as aforesaid) would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Bondholders or agree (without consent as aforesaid) to any modification of these Conditions or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error or an error which, in the opinion of the Trustee, is proven.

Any such modification, waiver, authorisation or determination shall be binding on the Bondholders and Couponholders.

**(c) Substitution**

The Trust Deed contains provisions permitting the Trustee to agree with the Issuer, without the consent of the Bondholders or Couponholders, to the substitution in place of the Issuer as the principal debtor under the Trust Deed, the Bonds and the Coupons of either (i) a holding company of the Issuer or (ii) any Subsidiary of the Issuer or (iii) a successor in business (as defined in the Trust Deed) to the Issuer in each case subject to certain conditions in the Trust Deed being complied with (including, without limitation, the Trustee being satisfied that the proposed substitution is not materially prejudicial to the interests of the Bondholders).

Any substitution shall be binding on the Bondholders and Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Bondholders as soon as practicable thereafter in accordance with Condition 15.

For the purposes of these Conditions:

“**holding company**” shall have the meaning given to it in section 1159 of the Companies Act 2006.

**(d) Entitlement of the Trustee**

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders or to the Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder 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 Bondholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

**11. Enforcement**

The Trustee may at any time at its discretion take such action and/or institute such proceedings as it may think fit to enforce the obligations of the Issuer under the Bonds, the Coupons and the Trust Deed, but it shall not be bound to take any such action or institute any such proceedings or to take any other action under or pursuant to the Trust Deed unless (a) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder or Couponholder shall be entitled to institute proceedings directly against the Issuer unless the

Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

## **12. Indemnification of the Trustee and its Contracting with the Issuer**

### **(a) Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances, including provisions relieving it from instituting proceedings to enforce payment unless indemnified and/or secured and/or prefunded to its satisfaction.

### **(b) Trustee Contracting with the Issuer**

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders or Couponholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **13. Replacement of Bonds and Coupons**

Should any Bond or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent, upon payment by the claimant of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses incurred in connection therewith (including the fees and expenses of the Principal Paying Agent and its designated agents) and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

## **14. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Bondholders or the Couponholders to create and issue further bonds or notes either ranking *pari passu* in all respects (or in all respects save for the amount of and/or the date from which interest accrues thereon) and so that the same shall be consolidated and form a single series with the outstanding bonds or notes of any series (including the Bonds) or upon such terms as to interest, conversion, premium, redemption and otherwise as the Issuer may at the time of issue thereof determine. Any such bonds or notes, if they are to form a single series with the outstanding bonds or notes of any series (including the Bonds), shall be constituted by a deed supplemental to the Trust Deed and in any other case if the Trustee so agrees may be so constituted. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of bonds or notes of other series in certain circumstances where the Trustee so decides.

## **15. Notices**

All notices regarding the Bonds shall be valid if published in a newspaper of general circulation in London (which is expected to be the *Financial Times*) or any other daily newspaper in London approved by the Trustee. 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 Bonds are for the time being listed or by which they have been admitted to trading. Any such notice shall be deemed to have been given on the date of publication or, if published more than once, on the date of the first such publication. If notices cannot be given by publication as aforesaid they will be given in such other manner, and be deemed to have been given on such date, as the Trustee shall approve.

Save as otherwise provided in these Conditions, notices to be given by any Bondholder shall be in writing and given by lodging the same, together (in the case of any Bond in definitive form) with the relative Bond or Bonds, with the Principal Paying Agent or, if the Bonds are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

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

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

## **17. Governing Law**

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

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

*The Bonds will be represented initially by a single temporary global bond in bearer form, without interest coupons (the “**Temporary Global Bond**”) which will be issued in new global note (“**NGN**”) form. The Temporary Global Bond will be exchangeable on or after 22 March 2010 for a permanent global bond in bearer form, without interest coupons (the “**Permanent Global Bond**”) and, together with the Temporary Global Bond, the “**Global Bonds**”), upon certification as to non-U.S. beneficial ownership in a form required by the relevant Clearing System (as defined below) from time to time. The Global Bonds will be exchangeable for definitive Bonds with Coupons attached only in the limited circumstances specified therein (the “**Definitive Bonds**”).*

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

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

### 1. Principal Amount and Exchange

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

The Temporary Global Bond is exchangeable in whole or in part for interests recorded in the records of the relevant Clearing System in the Permanent Global Bond on or after a date which is expected to be 22 March 2010, upon certification as to non-U.S. beneficial ownership in a form required by the relevant Clearing System from time to time.

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

- (a) an Event of Default (as set out in Condition 9, “*Events of Default*”) has occurred; or
- (b) any relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no Alternative Clearing System is available; or

- (c) the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) of the United Kingdom or as a result of a change in the practice of any relevant Clearing System which would not be suffered were the Bonds in definitive form and a certificate to such effect signed by two Authorised Signatories of the Issuer is given to the Trustee.

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

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

In the event that a Global Bond is exchanged for Definitive Bonds, such Definitive Bonds shall be issued in minimum denominations of £50,000 and higher integral multiples of £1,000 up to a maximum of £99,000, but will in no circumstances be issued to Bondholders who hold Bonds in the relevant Clearing System in amounts that are less than £50,000.

In this Prospectus,

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

## **2. Payments**

On and after 22 March 2010, no payment will be made on the Temporary Global Bond unless exchange for an interest in the Permanent Global Bond is improperly withheld or refused. Payments of principal and interest in respect of Bonds represented by a Global Bond will be made to its holder. The Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant Clearing System, and, in the case of payments in respect of principal, the principal amount of the Bonds will be reduced accordingly. Each payment so made will discharge the Issuer’s obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing System shall not affect such discharge. No person shall, however, be entitled to receive any payment on the Permanent Global Bond falling due after the Exchange Date, unless exchange of the Permanent Global Bond for definitive Bonds is improperly withheld or refused by or on behalf of the Issuer. Payments in respect of interest on the Temporary Global Bond (if permitted by the first sentence of this paragraph) will be made

only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

### **3. Notices**

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of one or more relevant Clearing Systems, notices to Bondholders may be given by delivery of the relevant notice to each such relevant Clearing System for communication to the relative Accountholders rather than by publication as required by Condition 15, “*Notices*”, provided that, so long as the Bonds are admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange’s Regulated Market, the requirements of the UK Listing Authority and the London Stock Exchange have been complied with. Any such notice shall be deemed to have been given to the Bondholders on the business day (being a day on which banks are generally open in the location of each such relevant Clearing System), on which such notice is delivered to each such relevant Clearing System as aforesaid.

### **4. Accountholders**

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of a relevant Clearing System, each person (other than a relevant Clearing System) who is for the time being shown in the records of the relevant Clearing System as the holder of a particular principal amount of such Bonds (each an “**Accountholder**”) (in which regard any certificate or other document issued by a relevant Clearing System as to the principal amount of such Bonds standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Bonds for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Bondholders and giving notice to the Issuer pursuant to Condition 5(d), “*Redemption at the Option of the Bondholders upon a Put Event*”) other than with respect to the payment of principal and interest on such principal amount of such Bonds, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Bond in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to the relevant Clearing System for its share of each payment made to the bearer of the relevant Global Bond.

### **5. Prescription**

Claims against the Issuer in respect of principal and interest on the Bonds represented by a Global Bond will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7, “*Taxation*”).

### **6. Put Option**

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of any relevant Clearing System, the option of the Bondholders provided for in Condition 5(d), “*Redemption at the Option of the Bondholders upon a Put Event*”, may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of the relevant Clearing System (which may include notice being given on his instructions by any relevant Clearing System for them to the Principal

Paying Agent by electronic means) of the principal amount of the Bonds in respect of which such option is exercised.

## **7. Cancellation**

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

## **8. Meetings**

At any meeting of Bondholders the holder of a Global Bond will be treated as having one vote in respect of each £1,000 in principal amount of Bonds for which such Global Bond may be exchanged.

## **9. Authentication and Effectuation**

Neither the Temporary Global Bond nor the Permanent Global Bond shall become valid or enforceable for any purpose unless and until it has been authenticated by or on behalf of the Principal Paying Agent and effectuated by the entity appointed as Common Safekeeper by the relevant Clearing Systems.

## **10. Euroclear and Clearstream, Luxembourg**

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

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

## DESCRIPTION OF THE ISSUER AND THE GROUP

### *History and Development of the Issuer*

Close Brothers Group plc (the “**Issuer**”) was incorporated in England and Wales on 3 June 1953 under the name “Safeguard Industrial Investments Limited” as a company with limited liability under the Companies Act 1948 with registered number 520241.

On 4 December 1981, it was re-registered as a public limited company under the Companies Acts 1948 to 1980 and, on 30 November 1984, its name was changed to “Close Brothers Group plc”.

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

The ordinary shares of the Issuer are listed on the Official List of the UK Listing Authority and traded on the London Stock Exchange. The Issuer ranks among the top 200 largest companies by market capitalisation listed in the UK.

The Issuer is the ultimate holding company of a group of companies engaged in specialist financial services (the Issuer and its Subsidiaries (as defined in Condition 3, “*Negative Pledge*”) together constitute the “**Group**”).

### *Overview of the Group*

The Group has three operating divisions: (i) Banking, (ii) Asset Management and (iii) Securities.

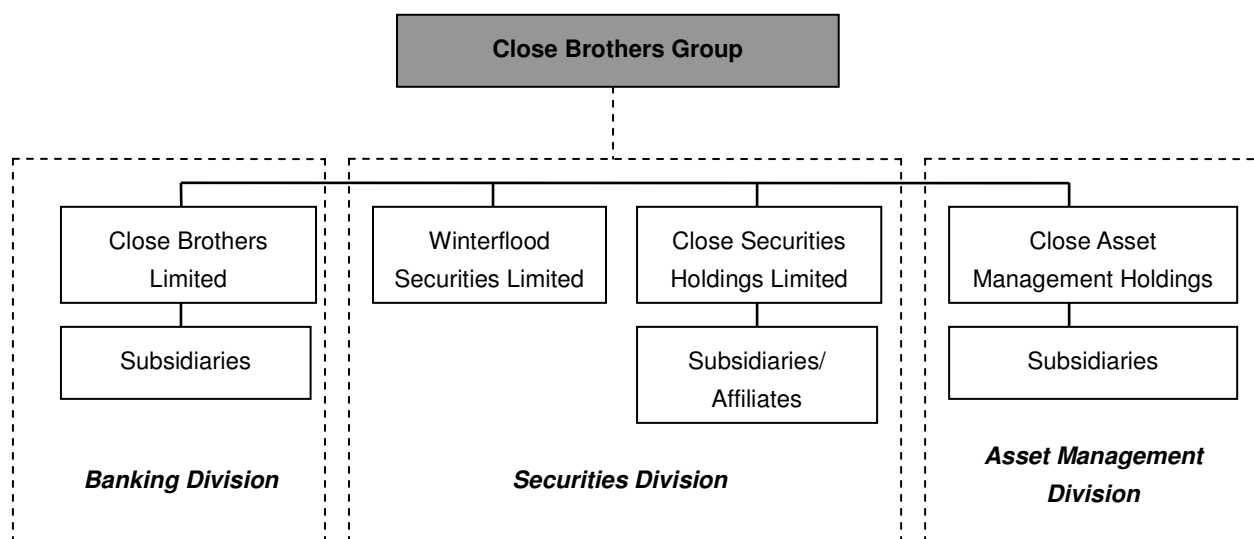
The Group derives revenue from a mix of fees, dealing profits and interest margin.

The Group employs over 2,400 individuals, principally across the UK and Channel Islands and also in Continental Europe, Cayman Islands and South Africa.

The Group’s strategy is to actively seek opportunities to grow each of its three divisions, and the senior management team works closely with each division on strategy development and implementation. As part of this strategy, the Group will consider acquisitions where it believes that such transactions will enhance its services and increase the value of the business in the long term. As illustrated in the section “*Recent Developments*” below, the Group’s strategy is to make acquisitions where it considers that such transactions will enhance its services and increase the value of the business in the long term.

As can be seen below under “*Recent Developments*”, the Group has continued to seek opportunities to expand its business through acquisitions, and may make further acquisitions of businesses in the future.

The following diagram provides an overview of the three operating divisions within Group:



A description of the three divisions is set out below:

## Banking

Close Brothers Limited (“**CBL**”), a Subsidiary of the Issuer, is a bank authorised to accept deposits under the FSMA. CBL is supervised and regulated by the Financial Services Authority and it is the parent company of a number of subsidiaries providing a range of banking services (the “**Banking division**”). The Banking division comprises a number of specialist businesses focused on secured lending to small and medium enterprises, professionals and consumers, mainly in the UK but also in Ireland, the Channel Islands, Germany and Spain. It finances a wide range of asset classes including insurance premiums, property, domestic and commercial vehicles, specialist plant and machinery and invoice receivables.

The Banking division is organised into four business units: (i) Retail, which includes the premium finance and motor finance businesses as well as the Group’s lending operations in the Channel Islands; (ii) Commercial, which incorporates the asset finance operations as well as invoice finance; (iii) Property and (iv) Treasury.

The *premium finance* business in the Retail unit finances the insurance payments of UK companies and individuals via a network of insurance brokers, allowing the insured to pay insurance premiums in instalments, typically over a 10-month period. The premium finance business had a total loan book of £456 million as at 31 July 2009.

The *motor finance* business in the Retail unit provides asset finance for the acquisition of cars, motorbikes and light commercial vehicles, and operates through a network of motor dealers. The motor finance business had a loan book of £444 million as at 31 July 2009.

The Retail unit in the Banking division also provides personal and secured lending services to residents and local corporates in the *Channel Islands*. This business had a loan book of £96 million as at 31 July 2009.

The *asset finance* business in the Commercial unit provides commercial asset financing across the transport and engineering sector, including the financing of commercial vehicles, machine tools, contractors' plant, printing equipment, aircraft and medical equipment. The asset finance business had a loan book of £712 million as at 31 July 2009.

The *invoice finance* business in the Commercial unit provides debt factoring and invoice discounting to the small and medium enterprise sector. The invoice finance business had a loan book of £170 million as at 31 July 2009.

The *property finance* business specialises in short-term residential development finance and bridging finance across the UK, and it had a loan book of £487 million as at 31 July 2009.

The *Treasury unit* provides funding for the Banking division's lending activities and engages in deposit taking in the small and medium enterprise and retail markets.

The Banking division also provides credit management and debt collection services in the UK.

The main source of income for the Banking division is net interest and fees on the loan book, which contributed 92% of the division's adjusted operating income in the financial year ended 31 July 2009, corresponding to a net interest margin of 9.4%. Treasury and non lending activities contributed 8% of the division's adjusted operating income in the financial year ended 31 July 2009.

The Banking division contributed 41% to the Group's adjusted operating profit from continuing operations before group net expenses for the financial year ended on 31 July 2009.

Since the financial year ended on 31 July 2009, the Issuer announced the acquisition of the invoice financing loan book of GMAC Commercial Finance Limited (UK), which will be integrated in the Banking division, as described in further detail in the section entitled "*Recent Developments*" below.

The Banking division employs over 1,300 individuals.

## **Asset Management**

The Asset Management division focuses on managing, protecting and enhancing the wealth of private and corporate clients through a broad range of capabilities in investment and wealth management, trust and fund administration and banking. The Asset Management division focuses on three core areas: (i) Private Clients, (ii) Funds and (iii) Banking and Administration.

*Private Clients* serves both high net worth and affluent clients directly with wealth and investment management services. These services include mid-career, pre-retirement and financial education services for employers and employees, and discretionary portfolio management services. As at 31 July 2009, the business had £3.3 billion Private Client Funds under Management ("**FuM**").

The *Funds* business comprises a range of specialist investment management capabilities including multi-manager, hedge fund and funds of funds, property and structured investments, which are distributed to UK and international retail and institutional clients mainly through intermediaries. Clients include pension funds, banks, insurance companies, private client

stockbrokers, wealth managers, independent financial advisors and private investors. As at 31 July 2009, the business had £3.5 billion FuM.

The *Banking and Administration* business is based in Jersey, Guernsey, Isle of Man, the Cayman Islands and South Africa and provides offshore trust and fund administration services as well as deposit taking, transactional banking and custody. Clients include mid net worth private individuals, corporates, trusts and foundations.

The Asset Management division has two main sources of income: (i) management fees on FuM, including dealing commission, which contributed 57% to the division's adjusted operating income, corresponding to a 72 basis points margin for the financial year ended 31 July 2009, and (ii) income on Assets under Administration and deposits, which contributed 40% to the division's adjusted operating income. Other income contributed 3% to the division's adjusted operating income.

The Asset Management division contributed 9% to the Group's adjusted operating profit from continuing operations before group net expenses for the financial year ended on 31 July 2009.

This division employs over 750 individuals.

## **Securities**

The Securities division has two principal trading companies, Winterflood Securities Limited ("**Winterflood**") and Close Brothers Seydler Bank AG ("**Close Brothers Seydler**"), and a strategic investment in Mako Global Derivatives Executive LLP ("**Mako**").

*Winterflood* is a leading liquidity provider and market-maker in UK equities. Winterflood currently makes a market in nearly all UK equities from AIM and PLUS securities to FTSE 100 stocks as well as offering a dealing service in European and North American equities. The service also includes coverage of Exchange Traded Funds and Exchange Traded Commodities, fixed income, investment trusts and international equities. Clients have access to multiple sources of liquidity through Winner, an internal trading platform providing liquidity in over 10,000 instruments, and Win-X, a pan-European Direct Market Access order routing platform with connections to the leading exchanges and multilateral trading facilities.

*Close Brothers Seydler* is a Frankfurt based broker dealer and order book specialist. It is one of the top three securities trading firms in Germany and the leading market-maker in US equities on Deutsche Börse's electronic order book system. As a leading designated sponsor it provides a comprehensive service to its corporate clients - from Equity Capital Markets to in-house research - with focus on the small and medium company market segment.

In October 2007, Close Brothers acquired 49.9% of *Mako*, a leading market-maker in equity, fixed income and commodity index derivatives.

The Securities division generates income from a combination of dealing profits and fees. During the financial year ended 31 July 2009, Winterflood traded 10.7 million bargains with average income per bargain of £11.98 and contributed 76% to the Securities division's adjusted operating income, Seydler and Mako contributed 14% and 10% respectively (with Mako, as an associate, representing the Issuer's share of post tax profit).

The Securities division contributed 50% to the Group's adjusted operating profit from continuing operations before group net expenses for the financial year ended on 31 July 2009.

This division has over 250 employees.

*Administrative, Management and Supervisory Bodies*

The directors of the Issuer are as follows:

<b>Name</b>	<b>Position</b>	<b>Principal Outside Activities</b>
Preben Prebensen.....	Chief Executive	None.
Jonathan Howell.....	Finance Director	None.
Stephen Hodges.....	Managing Director and Banking Chief Executive	None.
Strone Macpherson.....	Chairman	Chairman of British Empire Securities and General Trust plc, Tribal Group plc and JP Morgan Smaller Companies Investment Trust plc and non-executive director of Kleinwort Benson Private Bank Limited.
Bruce Carnegie-Brown.....	Senior Independent Director	None.
Ray Greenshields.....	Non-Executive Director	Non-executive director of Standard Life Assurance Limited.
Douglas Paterson.....	Non-Executive Director	Director of Goldman Sachs International Bank, Rothesay Life Limited, Montague Place Custody Services and non-executive officer of Generation Investment Management LLP.
Jamie Cayzer-Colvin.....	Non-Executive Director	Director of Caledonia Investments plc and non-executive director of Polar Capital Holdings plc and India Capital Growth Fund Limited.

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

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

*Recent Developments*

On 27 March 2008, the Issuer announced the acquisition of two specialist lending businesses, Commercial Acceptances Group and Amber Credit, for £33 million, including premium of £9 million. The businesses, which had a combined loan book of £145 million at the time of purchase, were integrated into the Group's Banking division.

On 5 August 2008, the Issuer announced the acquisition of Kaupthing Singer & Friedlander Premium Finance Limited for £2.4 million. The business, which had a loan book of

approximately £80 million at the time of purchase, has been integrated into the Group's Banking division.

On 1 July 2009, the Group completed the disposal of its Corporate Finance division (Close Brothers Corporate Finance (Holdings) Limited) to Daiwa Securities SMBC Europe for a net consideration of £67 million.

On 4 January 2010, the Issuer announced the acquisition of the invoice financing loan book of GMAC Commercial Finance Limited (UK) for a premium to net book value of up to £4 million in cash. The gross assets being acquired in the transaction will be the loan book which totals £94 million and therefore the total consideration payable will be a maximum of £98 million. The loan book will be integrated into the Group's Banking division.

## UNITED KINGDOM TAXATION

*The following is a general description of certain United Kingdom (“UK”) tax considerations relating to the Bonds. It does not purport to be a complete analysis of all UK tax considerations relating to the Bonds and applies only to persons who are the absolute beneficial owners of the Bonds and hold the Bonds as an investment. It does not deal with certain classes of persons (such as persons connected with the Issuer, dealers in securities and those who are treated for tax purposes as having received their Bonds by reason of their employment) and, save as specifically mentioned, applies only to Bondholders who are resident and (if individuals) ordinarily resident in the UK for tax purposes.*

*This summary is based upon the Issuer's understanding of UK tax law and HM Revenue and Customs (“HMRC”) practice as in effect on the date of this Prospectus and is subject to any change in such law or practice that may take effect after such date (possibly with retrospective effect).*

*Prospective purchasers of Bonds who may be subject to tax in any jurisdiction other than the UK, or who have any doubt whatsoever as to their tax position, should consult an appropriate professional advisor without delay.*

### **A. Withholding Tax and Interest on Bonds**

The Bonds will constitute "quoted Eurobonds" so long as they are and continue to be listed on a recognised stock exchange within the meaning of Section 1005 of the Income Tax Act 2007 (“ITA 2007”). The London Stock Exchange is a recognised stock exchange for these purposes. On the basis of HMRC's published interpretation of the relevant legislation and the application of Section 1005(3) of ITA 2007, 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 FSMA) by the UK Listing Authority and are admitted to trading on the London Stock Exchange. Whilst the Bonds are and continue to be quoted Eurobonds, payments of interest by the Issuer on the Bonds may be made without withholding or deduction for or on account of UK income tax.

Interest on the Bonds may also be paid without withholding or deduction on account of UK tax where interest on the Bonds 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 Bonds is paid reasonably believes) that the beneficial owner of that interest is within the charge to UK corporation tax as regards the payment of interest, provided that HMRC has not given a direction that the interest should be paid under deduction of tax.

In all other cases, interest will generally be paid under deduction of income tax at the basic rate (currently 20 per cent.) subject to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty and subject to any other exemption that may be available to particular Bondholders.

The above description of the UK withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

### *Overseas Bondholders*

If interest is paid under deduction of UK income tax (for example, if the Bonds cease to be listed on a recognised stock exchange), Bondholders who are not resident in the UK may, subject to completing any procedural formalities, be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

The interest paid on the Bonds will have a UK source for tax purposes and accordingly may be chargeable to UK tax by direct assessment even where paid without withholding. In this event, where the interest is paid without withholding or deduction, the interest will not be assessed to UK tax in the hands of Bondholders (other than certain trustees) who are not resident for tax purposes in the UK, except where such persons carry on a trade, profession or vocation in the UK through a UK branch or agency or, in the case of corporate holders, carry on a trade through a permanent establishment in the UK, in each case being a trade, profession, vocation or permanent establishment, in connection with which the interest is received or to which the Bonds are attributable, in which case tax may be levied on the UK branch, agency or permanent establishment. There are exemptions for interest received by certain categories of agents (such as some brokers and investment managers). The provisions of a double tax treaty may be relevant for such Bondholders.

### *Provision of Information*

Bondholders who are individuals should note that where any interest on Bonds is paid to them (or to any person acting on their behalf) by any person in the UK acting on behalf of the Issuer (a “paying agent”), or is received by any person in the UK acting on behalf of the relevant Bondholder (other than solely by clearing or arranging the clearing of a cheque) (a “collecting agent”), then the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HMRC details of the payment and certain details relating to the Bondholder (including the Bondholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of UK income tax and whether or not the Bondholder is resident in the UK for UK taxation purposes. Where the Bondholder is not so resident, the details provided to HMRC may, in certain cases, be passed by HMRC to the tax authorities of the jurisdiction in which the Bondholder is resident for taxation purposes.

The provisions referred to above may also apply, in certain circumstances, in relation to payments made on redemption of the Bonds if the Bonds constitute “deeply discounted securities” for the purposes of the Income Tax (Trading and Other Income) Act 2005 (“**ITTOIA 2005**”). However, HMRC published practice indicates that HMRC will not exercise the power to require such information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before 5 April 2010.

### *EU Savings Directive*

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

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

On 24 April 2009, the European Parliament approved an amended version of certain changes proposed by the European Commission to the Savings Directive which would, if implemented, cause the requirements described above to apply in a wider range of circumstances. Bondholders are advised to consult their independent professional advisers in relation to the implications of the proposed changes, once finally made.

#### *Interpretation*

References to “interest” above are to “interest” as understood in UK tax law. The statements above do not take any account of any different definitions of “interest” which may prevail under any other law.

### **B. United Kingdom Corporation Tax Payers**

In general, Bondholders who are within the charge to UK corporation tax will be charged to tax as income on all returns, profits or gains arising from, and fluctuations in value of, their holdings of Bonds (whether attributable to currency fluctuations or otherwise) broadly in accordance with the statutory accounting treatment of those holdings.

### **C. Other United Kingdom Tax Payers**

#### *Taxation of Chargeable Gains*

The Bonds will constitute “qualifying corporate bonds” within the meaning of Section 115 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal of a Bond by a Bondholder resident or ordinarily resident for tax purposes in the UK or who carries on a trade, profession or vocation in the UK through a branch or agency to which the Bond is attributable and who is not within the charge to UK corporation tax (for the purposes of this section, a “**UK income tax payer**”) will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

#### *Deeply discounted securities*

Notwithstanding the paragraph above, the interaction of the small difference between the issue price and the principal amount of the Bonds with the right of Bondholders under Condition 5(d) in certain circumstances to require the redemption or purchase of the Bonds at their principal amount (plus accrued interest) may result in the Bonds constituting “deeply discounted securities” within the meaning of Chapter 8 of Part 4 of ITTOIA 2005. If the Bonds do constitute deeply discounted securities, a Bondholder who is a UK income tax payer will generally be held liable to UK income tax on any profits made on the transfer or redemption of his Bonds, but such Bondholder will not be able to claim relief from income tax in respect of costs incurred on the acquisition, transfer or redemption, or loss incurred on the transfer or redemption of such Bonds.

### *Accrued Income Scheme*

If the Bonds do not constitute “deeply discounted securities” within the meaning of Chapter 8 of Part 4 of ITTOIA 2005, a disposal of a Bond by a Bondholder who is a UK income tax payer may give rise to a charge to UK income tax in respect of an amount treated under the provisions of Chapter 2 of Part 12 of ITA 2007 (Accrued Income Profits and Losses) as representing interest accrued on the Bonds at the time of transfer.

### ***D. Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)***

No United Kingdom stamp duty or SDRT will be payable on the issue of the Bonds, on a transfer by delivery of the Bonds, or on an agreement to transfer the Bonds.

## SUBSCRIPTION AND SALE

Pursuant to a Subscription Agreement dated 8 February 2010 (the “**Subscription Agreement**”), Lloyds TSB Bank plc, The Royal Bank of Scotland plc and UBS Limited (together the “**Joint Lead Managers**”) have agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Bonds at the issue price of 99.723 per cent. of their principal amount. The Issuer will pay to the Joint Lead Managers a combined management, underwriting and selling commission of 0.45 per cent. of the principal amount of the Bonds to be deducted from the issue proceeds. The Joint Lead Managers are entitled to terminate and to be released and discharged from their obligations under the Subscription Agreement in certain circumstances prior to payment to the Issuer.

### ***United States***

The Bonds have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account or benefit of U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons.

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

### ***United Kingdom***

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

**General**

No action has been or will be taken by the Issuer or any of the Joint Lead Managers that would permit a public offering of the Bonds or possession or distribution of this document or other offering material relating to the Bonds in any jurisdiction where, or in any circumstances in which, action for these purposes is required. This document does not constitute an offer and may not be used for the purposes of any offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised.

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

## GENERAL INFORMATION

### Net Proceeds and Expenses

1. The net proceeds of the issue, which are estimated to amount to approximately £198,546,000 will be used by the Issuer for the general corporate purposes of the Group, including, without limitation, the financing of potential acquisition opportunities which the Group may pursue in the future as part of its strategic objectives.
2. The Issuer estimates that the amount of total expenses related to the issue of the Bonds will be approximately £1,600,000.

### Yield

3. The yield of the Bonds is 6.55 per cent., on a semi-annual basis. The yield is calculated as at the Issue Date on the basis of the relevant issue price and the interest rate as at the Issue Date. It is not an indication of future yield.

### Clearing Systems

4. The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 048624138 and an ISIN of XS0486241382. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### Listing and Trading

5. The listing of the Bonds on the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that the applications for the Bonds to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Regulated Market will be granted on or about 10 February 2010 (subject only to the issue of the Temporary Global Bond) and that such admission will become effective, and that dealings in the Bonds on the London Stock Exchange will commence, on or about 11 February 2010.

### Authorisation

6. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a resolution of the board of directors of the Issuer passed on 20 January 2010.

### Reliance on Certificates by Trustee

7. The Trust Deed provides that the Trustee may rely on certificates or reports from any auditors or other parties in accordance with the provisions of the Trust Deed whether or not any such certificate or report or engagement letter or other document in connection therewith contains any limit on the liability of such auditors or such other party.

## **No Significant Change**

8. There has been no significant change in the financial or trading position of the Group since 31 July 2009 (the end of the last financial period), nor has there been any material adverse change in the financial position or prospects of the Issuer since 31 July 2009.

## **Litigation**

9. On 2 April 2009, the Issuer announced that the Group would seek permission to appeal the decision by the Financial Services and Markets Tribunal to reject Winterflood's referral of a decision by the Financial Services Authority in June 2008 that Winterflood and two of its traders committed market abuse. On 29 October 2009, the Group was granted leave to appeal the decision of the Financial Services and Markets Tribunal and it is expected that such appeal will be heard on 9 or 10 March 2010.

The Financial Services Authority reached the decision that Winterflood committed market abuse in 2004 in relation to trading by third parties in 2004 in shares of Fundamental E Investments plc ("**FEI**"), an AIM listed stock. Winterflood was a market-maker in FEI at the time and executed a majority of the relevant trades. The Financial Services Authority imposed a financial penalty of £4 million on Winterflood. It was not alleged in the proceedings that Winterflood or its traders deliberately or knowingly committed market abuse.

The fine imposed by the Financial Services Authority, together with the costs of the referral, has been fully provided for by Winterflood in prior years.

10. Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus which may have or have had in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

## **Documents Available**

11. So long as any of the Bonds is outstanding, copies of the following documents will be available for inspection during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the registered office of the Issuer and from the specified office of the Principal Paying Agent for the time being in London:
  - (a) the Memorandum and Articles of Association of the Issuer;
  - (b) the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 July 2008 and 31 July 2009, in each case together with the audit reports in connection therewith and the notes thereto;
  - (c) the Trust Deed and the Agency Agreement; and
  - (d) this Prospectus (including, for the avoidance of doubt, the documentation incorporated by reference in this Prospectus).

Additionally, the Prospectus will be available for inspection on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html> and the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 July 2008 and 2009, in each case together with the audit reports thereon, are available for viewing on the Issuer's website at [www.closebrothers.co.uk](http://www.closebrothers.co.uk).

### **Statutory Auditors**

13. The auditors of the Issuer are Deloitte LLP (formerly Deloitte & Touche LLP), Chartered Accountants with the Institute of Chartered Accountants in England and Wales and Registered Auditors (authorised and regulated by the Financial Services Authority for designated investment business), who have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for the two financial years ended on 31 July 2009 and 31 July 2008.

Deloitte LLP has no material interest in the Issuer.

### **Material Contracts**

14. There are no material contracts entered into other than in the ordinary course of the Issuer's business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Bondholders in respect of the Bonds.

### **Post-Issuance Information**

15. The Issuer does not intend to provide any post-issuance information in relation to any Bonds.

### **Relationship with Joint Lead Managers**

16. Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer or any of its Subsidiaries or affiliates in the ordinary course of business.

**THE ISSUER**

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