



## TESCO PERSONAL FINANCE PLC

(incorporated with limited liability under the laws of Scotland)

### £2,000,000,000 Euro Note Programme

#### ABOUT THIS DOCUMENT

##### 1. What is this document?

This document (the **Offering Circular**) relates to the £2,000,000,000 Euro Note Programme (the **Programme**) of Tesco Personal Finance PLC (the **Issuer**) under which the Issuer may, from time to time, issue notes (the **Notes**) denominated in any currency agreed between it and the relevant Dealer (as defined on page 4). The nominal amount (being the amount which is used to calculate payments made on each Note) of all the Notes issued under the Programme will not exceed £2,000,000,000 subject to any increase that may be agreed between the Issuer and the Dealers.

This Offering Circular is valid for one year and may be supplemented from time to time to reflect any significant new factor, material mistake or inaccuracy relating to the information included in it.

##### 2. What types of Notes does this Offering Circular relate to?

This Offering Circular relates to the issuance of four different types of Notes: Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes and RPI-Linked Notes. Notes may also be issued as a combination of these options.

The Notes may or may not bear interest.

##### 3. Who is the Issuer?

The Notes will be issued by Tesco Personal Finance PLC which means that payments of principal and interest are subject to the Issuer's financial position and its ability to meet its obligations. This Offering Circular contains information describing the Issuer's business activities as well as certain financial information and material risks faced by the Issuer.

##### 4. How is this Offering Circular used?

This Offering Circular, together with certain other documents listed within, is intended to provide investors with information necessary to enable them to make an informed investment decision before purchasing any Notes.

The contractual terms of any particular issuance of Notes will be comprised of the terms and conditions set out at pages 69 to 91 of this Offering Circular (the **Conditions**), as completed by a separate Final Terms document, which is specific to that issuance of Notes (the **Final Terms**).

The Conditions are comprised of numbered provisions (1 – 20) including generic provisions that are applicable to Notes generally and certain optional provisions that will only apply to certain issuances of Notes. Condition 3 has been intentionally left blank.

The following provisions within the Conditions (together with the introductory wording appearing before Condition 1 on pages 69 to 70) apply to Notes generally:

- Condition 1 (*Form, Denomination and Title*);
- Condition 2 (*Status of the Notes*);
- Condition 8 (*Taxation*);
- Condition 9 (*Prescription*);
- Condition 10 (*Events of Default*);
- Condition 11 (*Replacement of Notes, Coupons and Talons*);
- Condition 12 (*Agent and Paying Agents*);
- Condition 13 (*Exchange of Talons*);
- Condition 14 (*Notices*);

- Condition 15 (*Meetings of Noteholders, Modification and Waiver*);
- Condition 16 (*Further Issues*);
- Condition 17 (*Substitution*);
- Condition 18 (*Indemnification*);
- Condition 19 (*Governing Law*); and
- Condition 20 (*Contracts (Rights of Third Parties) Act 1999*).

The following Conditions contain certain optional provisions that will only apply to certain issuances of Notes:

- Condition 4 (*Interest*);
- Condition 5 (*Indexation*);
- Condition 6 (*Payments*); and
- Condition 7 (*Redemption and Purchase*).

The applicable Final Terms will specify which optional provisions apply to any particular issuance of Notes.

For the avoidance of doubt, Condition 5 (*Indexation*) will only apply to Notes where the payments of principal and/or interest in relation to such Notes are to be adjusted with reference to RPI (as defined in Section 7. below).

## 5. What other documents need to be read?

This Offering Circular contains all information which is necessary to enable investors to make an informed decision regarding the financial position and prospects of the Issuer and the rights attaching to the Notes. Some of this information is incorporated by reference from other publicly available documents and some of this information is completed in the Final Terms. You should read the documents incorporated by reference, as well as the Final Terms in respect of such Notes, together with this Offering Circular.

Documents will be made available at the registered office of the Issuer and at:  
[www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

## 6. What information is included in the Final Terms?

While this Offering Circular includes general information about all Notes, the Final Terms is the document that sets out the specific details of each particular issuance of Notes.

The Final Terms will contain the relevant economic terms applicable to any particular issuance of Notes. Condition 7 (and Condition 5, in the case of RPI-Linked Redemption Notes) will specify how the redemption amount is calculated upon maturity.

The Final Terms will contain, for example:

- the issue date;
- the interest basis (i.e. fixed rate, floating rate, zero coupon or RPI-linked interest);
- the interest payment dates (if any);
- the scheduled maturity date; and
- any other information needed to complete the terms of this Offering Circular (identified by the words "as specified in the applicable Final Terms" or other equivalent wording).

Wherever the Conditions provide optional provisions, the Final Terms will specify which of those provisions apply to a specific issuance of Notes.

## 7. What type of underlying index may the Notes be linked to?

The repayment terms of RPI-Linked Notes (payments of principal in the case of RPI-Linked Redemption Notes and payments of interest in the case of RPI-Linked Interest Notes) issued under this Offering Circular will be calculated by reference to movements in the UK Retail Prices Index (**RPI**) during a reference period, which may go down or up.

As the RPI-Linked Notes are linked to movements in RPI, they are 'derivative securities' for the purposes of the Prospectus Directive.

The Final Terms will indicate where information relating to RPI is available. It is recommended that investors review such information together with the Final Terms and this Offering Circular.

Worked examples of hypothetical RPI-Linked Notes are set out in the section of this Offering Circular called '*RPI-Linked Notes - How the Return on an Investment is Calculated*' which explains how the calculations in the Conditions will be made.

#### **8. Which parts of this Offering Circular are relevant to particular types of Note only?**

The Offering Circular includes information that is relevant to all types of Notes that may be issued under the Programme; however, certain sections of this Offering Circular are relevant to particular types of Note only.

The following sections are relevant to particular types of Note only:

- the information under the heading "*Important information relating to Public Offers of Notes*" on pages 6 to 10 applies to Notes with a denomination of less than €100,000 (or its equivalent in any other currency) which may be resold, placed or otherwise offered by financial intermediaries, subject to the conditions described therein;
- the form of Final Terms set out on pages 52 to 59 applies to Notes with a denomination of less than €100,000 (or its equivalent in any other currency);
- the form of Final Terms set out on pages 61 to 67 applies to Notes with a denomination of at least €100,000 (or its equivalent in any other currency); and
- the information under the heading "*RPI-Linked Notes – How the Return on an Investment may be Calculated*" applies to RPI-Linked Notes only.

As described in Section 4. above, certain of the Conditions provide optional provisions that will only apply to certain issuances of Notes and Condition 5 (*Indexation*) will only apply to RPI-Linked Notes. The Final Terms will specify which optional provisions within the Conditions will apply to a specific issuance of Notes.

**Arranger**

**Citigroup**

**Dealers**

**Barclays**

**BNP PARIBAS**

**Citigroup**

**Deutsche Bank**

**HSBC**

**J.P. Morgan Cazenove**

The date of this Offering Circular is 27th November, 2013.

## IMPORTANT INFORMATION

**An investment in Notes issued under the Programme involves certain risks.** For a description of these risks, see "Risk Factors" below.

Application has been made to the Financial Conduct Authority (the **UK Listing Authority**) in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended (the **FSMA**) for Notes issued during the period of 12 months from the date of this Offering Circular to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange's regulated market. References in this Offering Circular to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List.

The London Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain information which is applicable to each Tranche (as defined on page 69) of Notes will be set forth in a final terms document (the **Final Terms**) which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and to the London Stock Exchange on or before the date of issue of the Notes of such Tranche or such later date as the UK Listing Authority and the London Stock Exchange may agree. Copies of Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the Regulatory News Service operated by the London Stock Exchange.

The Issuer may also issue Notes that are admitted to trading through the electronic order book for retail bonds (**ORB**) of the London Stock Exchange.

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

This Offering Circular comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the **Prospectus Directive**).

The Notes may be issued on a continuing basis to one or more of the Dealers specified on page 123 and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a **Dealer** and together the **Dealers**). References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

The Notes of each Tranche will initially be represented by a temporary global Note or a permanent global Note, in each case as specified in the relevant Final Terms which will be deposited on the issue date thereof with a common safekeeper or common depositary for Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) and Euroclear Bank S.A./N.V. (**Euroclear**) and/or any other agreed clearing system. A temporary global Note will be exchangeable, as specified in the applicable Final Terms, for either a permanent global Note or Notes in definitive form, in each case upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. A permanent global Note will be exchangeable for Notes in definitive form either upon request or only upon an Exchange Event (as specified in the applicable Final Terms), all as further described in "Form of the Notes" below. If so specified in the applicable Final Terms, following the delivery of an issue of Notes into Euroclear or Clearstream, Luxembourg, investors may also hold interests in the Notes through Euroclear UK & Ireland Limited (formerly known as CRESTCo Limited) (**CREST**) through the issuance of dematerialised depositary interests (**CREST Depository Interests** or **CDIs**), issued, held, settled and transferred through CREST, representing interests in the relevant Notes underlying the CDIs (the **Underlying Notes**). CREST Depository Interests are independent securities distinct from the Notes, constituted under, and governed by, English law and transferred through CREST and will be issued by CREST Depository Limited (the **CREST Depository**) pursuant to the global deed poll dated 25th June, 2001 (as subsequently modified, supplemented and/or restated) (the **CREST Deed Poll**).

The Issuer accepts responsibility for the information contained in this Offering Circular and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

Copies of the Final Terms will be available from the registered office of the Issuer and the specified office of each of the Paying Agents (as defined on page 69), and copies of Final Terms will also be available on the website of the Regulatory News Service operated by the London Stock Exchange.

Save for the Issuer, no other party has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Dealer or the Trustee (as defined on page 69) as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Programme or the Notes or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the Programme. No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any Dealer, the Arranger or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or as constituting an invitation or offer by the Issuer, any Dealer, the Arranger or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer by or on behalf of the Issuer or any of the Dealers or the Arranger or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date indicated in the document containing the same. The Dealers, the Arranger and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. When deciding whether or not to purchase Notes of any Tranche, investors should review, *inter alia*, the documents incorporated by reference into this Offering Circular and any supplement to this Offering Circular (including the Final Terms relating to such Tranche, but not including any other Final Terms).

## IMPORTANT INFORMATION RELATING TO PUBLIC OFFERS OF NOTES

### Restrictions on Public Offers of Notes in Relevant Member States

Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may, subject as provided below, be subsequently resold, placed or otherwise offered by financial intermediaries in circumstances where there is a requirement to publish a prospectus under Article 3 of the Prospectus Directive. Any such resale, placement or offer is referred to in this Offering Circular as a **Public Offer**. This Offering Circular has been prepared on a basis that permits Public Offers of Notes. However, any person making or intending to make a Public Offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) may only do so if this Offering Circular has been approved by the competent authority in that Relevant Member State (or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State) and published in accordance with the Prospectus Directive, provided that the Issuer has consented to the use of this Offering Circular in connection with such offer as provided under *"Consent given in accordance with Article 3.2 of the Prospectus Directive"* and the conditions attached to that consent are complied with by the person making the Public Offer of such Notes.

Save as provided above, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any Public Offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

### Consent given in accordance with Article 3.2 of the Prospectus Directive

The Issuer accepts responsibility for the content of this Offering Circular with respect to the resale or final placement of Notes by any financial intermediary to whom the Issuer has given consent to the use of this Offering Circular (an **Authorised Offeror**), provided that the conditions attached to that consent are complied with by the Authorised Offeror.

The consent and conditions attached to it are set out under *"Consent"* and *"Common Conditions to Consent"* below.

Neither the Issuer nor any Dealer makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Public Offer and neither the Issuer nor any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

**Except in the circumstances set out in the following paragraphs, neither the Issuer nor any Dealer has authorised the making of any Public Offer by any offeror and the Issuer has not consented to the use of this Offering Circular by any other person in connection with any Public Offer of Notes. Any Public Offer made without the consent of the Issuer is unauthorised and neither the Issuer nor any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.** If, in the context of a Public Offer, any person (an **Investor**) is offered Notes by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Offering Circular for the purposes of section 90 of the FSMA in the context of the Public Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Offering Circular and/or who is responsible for its contents it should take legal advice.

### Consent

In connection with each Tranche of Notes and subject to the conditions set out below under *"Common Conditions to Consent"*:

- (a) the Issuer consents to the use of this Offering Circular (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of such Notes during the relevant Offer Period stated in the applicable Final Terms by the relevant Dealer and by:
  - (i) any financial intermediary named as an Initial Authorised Offeror in the applicable Final Terms; and

- (ii) any financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Issuer's website (<http://corporate.escobank.com/49/financial-information/debt-investors>) and identified as an Authorised Offeror in respect of the relevant Public Offer;
- (b) if (and only if) Part B of the applicable Final Terms specifies "General Consent" as "Applicable", the Issuer hereby offers to grant its consent to the use of this Offering Circular (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of Notes during the relevant Offer Period stated in the applicable Final Terms by any financial intermediary which satisfies the following conditions:
  - (i) it is authorised to make such offers under the Financial Services and Markets Act 2000, as amended, or other applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC) (in which regard, Investors should consult the register maintained by the Financial Conduct Authority at: [www.fsa.gov.uk/register/home.do](http://www.fsa.gov.uk/register/home.do)); and
  - (ii) it accepts the Issuer's offer to grant consent to the use of this Offering Circular by publishing on its website the following statement (with the information in square brackets completed with the relevant information):
 

*"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Notes] (the "Notes") described in the Final Terms dated [insert date] (the "Final Terms") published by Tesco Personal Finance PLC (the "Issuer"). We hereby accept the offer by the Issuer of its consent to our use of the Offering Circular (as defined in the Final Terms) in connection with the offer of the Notes in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Offering Circular, and we are using the Offering Circular accordingly."*

The **Authorised Offeror Terms**, being the terms to which the relevant financial intermediary agrees in connection with using the Offering Circular, are that the relevant financial intermediary:

- (A) will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer and the relevant Dealer that it will, at all times in connection with the relevant Public Offer:
  - I. act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the **Rules**), including the Rules published by the United Kingdom Financial Conduct Authority (**FCA**) (including its guidance for distributors in *"The Responsibilities of Providers and Distributors for the Fair Treatment of Customers"*) from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential Investor, and will immediately inform the Issuer and the relevant Dealer if at any time such financial intermediary becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;
  - II. comply with the restrictions set out under *"Subscription and Sale"* in this Offering Circular which would apply as if it were a Dealer;
  - III. ensure that any fee (and any other commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
  - IV. hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules, including authorisation under the Financial Services and Markets Act 2000;
  - V. comply with applicable anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Notes by the Investor), and will not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
  - VI. retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the relevant Dealer, the Issuer or

directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer in order to enable the Issuer and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the Issuer and/or the relevant Dealer;

VII. ensure that no holder of Notes or potential Investor in Notes shall become an indirect or direct client of the Issuer or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;

VIII. co-operate with the Issuer and the relevant Dealer in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (VI) above) upon written request from the Issuer or the relevant Dealer as is available to such financial intermediary or which is within its power and control from time to time, together with such further assistance as is reasonably requested by the Issuer or the relevant Dealer:

- (i) in connection with any request or investigation by the FCA or any other regulator in relation to the Notes, the Issuer or the relevant Dealer; and/or
- (ii) in connection with any complaints received by the Issuer and/or the relevant Dealer relating to the Issuer and/or the relevant Dealer or another Authorised Offeror including, without limitation, complaints as defined in rules published by the FCA and/or any other regulator of competent jurisdiction from time to time; and/or
- (iii) which the Issuer or the relevant Dealer may reasonably require from time to time in relation to the Notes and/or as to allow the Issuer or the relevant Dealer fully to comply with its own legal, tax and regulatory requirements,

in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process;

IX. during the period of the initial offering of the Notes: (i) only sell the Notes at the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer); (ii) only sell the Notes for settlement on the Issue Date specified in the relevant Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Notes (unless otherwise agreed with the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer;

X. either (i) obtain from each potential Investor an executed application for the Notes, or (ii) keep a record of all requests such financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the Notes on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;

XI. ensure that it does not, directly or indirectly, cause the Issuer or the relevant Dealer to breach any Rule or subject the Issuer or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;

XII. comply with the conditions to the consent referred to under "*Common conditions to consent*" below and any further requirements relevant to the Public Offer as specified in the applicable Final Terms;

XIII. make available to each potential Investor in the Notes the Offering Circular (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet provided by the Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with the Offering Circular and the applicable Final Terms; and

XIV. if it conveys or publishes any communication (other than the Offering Circular or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of

the relevant Public Offer) in connection with the relevant Public Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that none of the Issuer and the relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of the Issuer or the relevant Dealer (as applicable), use the legal or publicity names of the Issuer or the relevant Dealer or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe the Issuer as issuer of the relevant Notes on the basis set out in the Offering Circular;

(B) agrees and undertakes to indemnify each of the Issuer and the relevant Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer or the relevant Dealer; and

(C) agrees and accepts that:

- I. the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Offering Circular with its consent in connection with the relevant Public Offer (the **Authorised Offeror Contract**), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;
- II. subject to (IV) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Authorised Offeror Contract (including any dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a **Dispute**) and the Issuer and the financial intermediary submit to the exclusive jurisdiction of the English courts;
- III. for the purposes of (C)(II) and (IV), the financial intermediary waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any dispute;
- IV. To the extent allowed by law, the Issuer and each relevant Dealer may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions; and
- V. each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

**Any financial intermediary who is an Authorised Offeror falling within (b) above who wishes to use this Offering Circular in connection with a Public Offer is required, for the duration of the relevant Offer Period, to state on its website that it is using this Offering Circular for such Public Offer in accordance with the consent of the Issuer and the conditions attached thereto (in the form of the statement (duly completed) specified at paragraph (b)(ii) above).**

### **Common Conditions to Consent**

The conditions to the Issuer's consent to the use of this Offering Circular in the context of the relevant Public Offer are (in addition to the conditions described in paragraph (b) above if Part B of the applicable Final Terms specifies "General Consent" as "Applicable") that such consent:

- (i) is only valid during the Offer Period specified in sub-section (v) of the paragraph entitled "Distribution" within Part B of the applicable Final Terms;
- (ii) only extends to the use of this Offering Circular to make Public Offers of the relevant Tranche of Notes in the United Kingdom and/or Ireland, as specified in sub-section (v) of the paragraph entitled "Distribution" within Part B of the applicable Final Terms; and
- (iii) the consent is subject to any other conditions set out in sub-section (vii) of the paragraph entitled "Distribution" within Part B of the applicable Final Terms.

The consent referred to above relates to Offer Periods (if any) occurring within 12 months from the date of this Offering Circular

The only Relevant Member States which may, in respect of any Tranche of Notes, be specified in the applicable Final Terms (if any Relevant Member States are so specified) as indicated in (ii) above, will be the United Kingdom and/or Ireland, and accordingly each Tranche of Notes may only be offered to Investors as part of a Public Offer in the United Kingdom and/or Ireland, as specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

### **ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS**

**IN THE EVENT OF ANY PUBLIC OFFER BEING MADE BY AN AUTHORISED OFFEROR, THE AUTHORISED OFFEROR WILL PROVIDE INFORMATION TO INVESTORS ON THE TERMS AND CONDITIONS OF THE PUBLIC OFFER AT THE TIME THE PUBLIC OFFER IS MADE.**

## **IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND OFFERS OF NOTES GENERALLY**

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers, the Arranger and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuer, the Dealers, the Arranger or the Trustee which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction (other than the United Kingdom) where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular 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, and the Dealers have represented or, as the case may be, will be required to represent that all offers and sales by them will be made on the same terms. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States of America, the European Economic Area (including the United Kingdom and the Republic of France) and Japan (see "Subscription and Sale" below).

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and include Notes in bearer form that are subject to certain U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States of America or to U.S. persons (see "Subscription and Sale" below).

Where the global Notes issued in respect of any Tranche are in NGN form, Euroclear and Clearstream, Luxembourg will be notified as to whether or not such global Notes are intended to be held in a manner which would allow Eurosystem eligibility. This simply means that the global Notes are intended upon issue to be delivered to one of Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

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

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

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

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

## PRESENTATION OF INFORMATION

In this Offering Circular, all references to:

- **Sterling** and **£** refer to the currency of the United Kingdom;
- **U.S. dollars**, **U.S.\$** and **\$** refer to the currency of the United States of America;
- **Swiss francs** refer to the currency of Switzerland; and
- **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## STABILISATION

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

## Table of Contents

|   | Page |
|---|------|
| <b>Summary of the Programme .....</b>   | 16   |
| <i>This section provides a summary of the key information contained within this Offering Circular with placeholders for information specific to each issuance of Notes. A summary completed with such issue specific information will be attached to the Final Terms.</i> |      |
| <b>Risk Factors .....</b>   | 30   |
| <i>This section sets out the principal risks the Issuer believes to be inherent in investing in Notes issued under the Programme.</i>   |      |
| <b>Documents Incorporated by Reference .....</b>  | 48   |
| <i>This section incorporates selected historical financial information regarding the Issuer from other publicly available documents.</i>  |      |
| <b>Supplements and New Offering Circulars .....</b>   | 49   |
| <i>This section specifies the circumstances in which supplements to this Offering Circular or a new Offering Circular may need to be prepared and published.</i>  |      |
| <b>Form of the Notes .....</b>  | 50   |
| <i>This section provides information regarding the form in which Notes will be represented upon issue.</i>  |      |
| <b>Applicable Final Terms .....</b>   | 52   |
| <i>This section sets out the template Final Terms applicable for specific issuances of Notes with a denomination of less than €100,000 (or its equivalent in any other currency).</i>   |      |
| <b>Applicable Final Terms .....</b>   | 61   |
| <i>This section sets out the template Final Terms applicable for specific issuances of Notes with a denomination of at least €100,000 (or its equivalent in any other currency).</i>  |      |
| <b>Terms and Conditions of the Notes .....</b>  | 69   |
| <i>This section sets out the contractual terms of the Notes. The Final Terms will specify which optional provisions apply to any particular issuance of Notes.</i>  |      |
| <b>Use of Proceeds .....</b>  | 92   |
| <i>This section describes the manner in which the Issuer intends to use the proceeds of issuances of Notes under the Programme.</i>   |      |
| <b>Tesco Personal Finance PLC .....</b>   | 93   |
| <i>This section provides a description of the Issuer's business activities as well as certain regulatory and other information affecting the Issuer.</i>  |      |
| <b>Clearing and Settlement .....</b>  | 104  |
| <i>This section sets out additional information relating to certain clearing systems that may be used for the Notes.</i>  |      |
| <b>Taxation .....</b>   | 106  |
| <i>This section sets out an overview of certain tax considerations relating to the Notes.</i>   |      |
| <b>Subscription and Sale .....</b>  | 110  |
| <i>This section sets out an overview of certain restrictions around who can purchase the Notes in certain jurisdictions.</i>  |      |

|   |     |
|---|-----|
| <b>RPI-Linked Notes – How the Return on an Investment may be Calculated .....</b> | 113 |
|---|-----|

*This section sets out worked examples of how the return on an investment in RPI-Linked Notes may be calculated.*

|                                  |     |
|----------------------------------|-----|
| <b>General Information .....</b> | 120 |
|----------------------------------|-----|

*This section provides certain additional information relating to all Notes.*

## Summary of the Programme

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A – E (A.1 – E.7). This Summary contains all the Elements required to be included in a summary for the Notes and the Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in a summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element should be included in the summary with the mention of "not applicable".

| <b>Section A – Introduction and warnings</b> |  |   |
|--|--|---|
| <b>Element</b>                               | <b>Title</b>   |   |
| A.1  | <b>Introduction and Warnings</b>   | <p><b>This summary should be read as an introduction to the Offering Circular and the applicable Final Terms. Any decision to invest in any Notes should be based on a consideration of the Offering Circular as a whole, including any documents incorporated by reference, and the applicable Final Terms. Where a claim relating to information contained in the Offering Circular and the applicable Final Terms is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Offering Circular and the applicable Final Terms before the legal proceedings are initiated. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area, no civil liability will attach to the Issuer in any such Member State solely on the basis of this summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the Offering Circular and the applicable Final Terms or it does not provide, when read together with the other parts of the Offering Circular and the applicable Final Terms, key information (as defined in Article 2.1(s) of the Prospectus Directive) in order to aid investors when considering whether to invest in the Notes.</b></p>   |
| A.2  | <b>Consent by the Issuer to the use of the prospectus in subsequent resale or final placement of securities, indication of offer period and conditions to consent for subsequent resale or final placement, and warning.</b> | <p>An offer of Notes in the United Kingdom for which there is a requirement to publish a prospectus under Article 3 of the Prospectus Directive is referred to as a <b>Public Offer</b>. In relation to Notes issued under the Programme which are to be offered as part of a Public Offer, the Issuer may provide its consent to the use of the Offering Circular for subsequent resale or final placement of Notes by financial intermediaries, provided that the subsequent resale or final placement of Notes by such financial intermediaries is made during the relevant offer period. Such consent will be subject to conditions which are relevant for the use of the Offering Circular.</p> <p><b><i>Issue specific summary:</i></b></p> <p>[Not Applicable; the Notes are issued in denominations of at least €100,000 (or its equivalent in any other currency).]</p> <p>[Not Applicable; the Notes are not being offered to the public as part of a Public Offer and, accordingly, the Issuer does not consent to the use of the Offering Circular for subsequent resales or final placement of the Notes by financial intermediaries.]</p> <p>[<b>Consent:</b> Subject to the conditions set out below, the Issuer consents to the use of this Offering Circular in connection with a Public Offer of Notes by the Managers[. [ ] [and] [each financial intermediary whose name is published on the Issuer's website (<a href="http://corporate.escobank.com/49/financial-information/debt-investors">http://corporate.escobank.com/49/financial-information/debt-investors</a>) and identified as an Authorised Offeror in respect of the relevant Public Offer] [and any financial intermediary which is authorised to make such offers under the Financial Services and Markets Act 2000, as amended, or other applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC) and publishes on its website</p> |

|  |  |   |
|--|--|---|
|  |  | <p>the following statement (with the information in square brackets being completed with the relevant information):</p> <p><i>"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Notes] (the "<b>Notes</b>") described in the Final Terms dated [insert date] (the "<b>Final Terms</b>") published by Tesco Personal Finance PLC (the "<b>Issuer</b>"). We hereby accept the offer by the Issuer of its consent to our use of the Offering Circular (as defined in the Final Terms) in connection with the offer of the Notes in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Offering Circular, and we are using the Offering Circular accordingly."</i></p> <p>(each an <b>Authorised Offeror</b>).</p> <p><i>Offer period:</i> The Issuer's consent referred to above is given for Public Offers of Notes during the period from [[ ] until [[ ]/[the Issue Date]]/[the date which falls ● Business Days thereafter]] (the <b>Offer Period</b>).</p> <p><i>Conditions to consent:</i> The conditions to the Issuer's consent [(in addition to the conditions referred to above)] are that such consent (a) is only valid during the Offer Period; (b) only extends to the use of this Offering Circular to make Public Offers of the relevant Tranche of Notes in ● [and ●] and (c) [ ].</p> <p><b>INFORMATION ON THE TERMS AND CONDITIONS OF THE PUBLIC OFFER BY ANY AUTHORISED OFFEROR IS TO BE PROVIDED AT THE TIME OF THE PUBLIC OFFER BY THE AUTHORISED OFFEROR.]</b></p> |
|--|--|---|

| Section B – Issuer |   |  |
|--------------------|---|--|
| Element            | Title   |  |
| <b>B.1</b>         | Legal and commercial name of the Issuer                   | The legal name of the Issuer is Tesco Personal Finance PLC. The commercial name of the Issuer is Tesco Bank.   |
| <b>B.2</b>         | Domicile/legal form/legislation/ country of incorporation | The Issuer was incorporated in Scotland under the name Roboscot (27) Limited on 5th March, 1997, as a private limited company with limited liability. It changed its name to Tesco Personal Finance Limited with effect from 25th April, 1997. It was re-registered as a public limited company under the legal name Tesco Personal Finance PLC pursuant to the Companies Act 1985 on 22nd December, 2008.   |
| <b>B.4b</b>        | Trend information   | UK retail banks such as the Issuer are exposed to general economic conditions in the United Kingdom, which remain subdued with significant downside risks including weak consumer confidence, pressure on real incomes and increased unemployment.<br><br>Banks and building societies are subject to significant regulatory and legislative oversight. In the current regulatory and market environment, there have been unprecedented levels of government and regulatory intervention, changes to regulations and reviews of the financial services industry. There is increased political and regulatory scrutiny of the banking industry and in particular, retail banking. |
| <b>B.5</b>         | Description of the Group                                  | The Issuer is a wholly owned subsidiary of Tesco Personal Finance Group Limited ( <b>TPFG</b> ). TPFG in turn is a wholly owned subsidiary of Tesco PLC ( <b>Tesco</b> ), the holding company of the Tesco group of companies (the <b>Tesco Group</b> ).   |
| <b>B.9</b>         | Profit forecast or estimate                               | Not Applicable; the Issuer has made no profit forecasts or estimates.  |
| <b>B.10</b>        | Audit report qualifications                               | Not Applicable; there are no qualifications contained within:<br>(i) the audit report relating to the historical financial information of the Issuer, its subsidiaries and associated undertaking (together, the <b>Group</b> ) for the 12 months  |

|   |   | <p>ended 28th February, 2013; and</p> <p>(ii) the audit report relating to the historical financial information of the Group for the 12 months ended 29th February, 2012.</p> |  |   |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
|---|---|---|--|---|---|---------------------|--------|-------|-------|---------------------------------|---------------------|-------|-------|-------|-----------------------------------|---------------------|--------------|--------------|--------------|--------------|--------------------|---------|---------|---------|---------|------------|--------|---------|--------|--------|------------------------------|------|-----|-----|-----|--------------------------|--------------|--------------|--------------|--------------|----------------------------|-------|------|---|------|-------------------------|---|------|---|---|----------------------|--------|---|---|--------|---|---|---|-------|-------|-----------------------------|--------|--------|---|--------|-------------------------------------|--------------|--------------|-------------|-------------|-------|--|--|--|--|--|--|--|--|--|--|----------------------------------|------|--------|------|-------|---------------------------------|-------|-------|-------|-------|-----------------------------------|------|------|------|------|
| <b>B.12</b>   | <p>Selected historical key financial information:</p> <p><i>Consolidated Income Statement – Summary Information</i></p> <p>The tables below set out a summary based on the Issuer's audited consolidated income statement for the two financial years ended 28th February, 2013 and 29th February, 2012 and the Issuer's unaudited consolidated income statement for the two interim periods of six months ended 31st August, 2013 and 31st August, 2012.</p> |   |  |   |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| <b>CONSOLIDATED INCOME STATEMENT</b>  |   |   |  |   |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;"></th><th style="text-align: center; width: 15%;">12 months<br/>ended 28<br/>February<br/>2013<br/>£m</th><th style="text-align: center; width: 15%;">12 months<br/>ended 29<br/>February<br/>2012*<br/>£m</th><th style="text-align: center; width: 15%;">6 months ended<br/>31 August 2013<br/>£m</th><th style="text-align: center; width: 15%;">6 months ended<br/>31 August 2012*<br/>£m</th></tr> </thead> <tbody> <tr> <td>Net interest income</td><td style="text-align: center;">289.8</td><td style="text-align: center;">301.8</td><td style="text-align: center;">163.0</td><td style="text-align: center;">139.0</td></tr> <tr> <td>Non interest income</td><td style="text-align: center;">353.6</td><td style="text-align: center;">400.5</td><td style="text-align: center;">198.4</td><td style="text-align: center;">235.6</td></tr> <tr> <td><b>Total income</b></td><td style="text-align: center;"><b>643.4</b></td><td style="text-align: center;"><b>702.3</b></td><td style="text-align: center;"><b>361.4</b></td><td style="text-align: center;"><b>374.6</b></td></tr> <tr> <td>Operating expenses</td><td style="text-align: center;">(447.6)</td><td style="text-align: center;">(423.5)</td><td style="text-align: center;">(231.9)</td><td style="text-align: center;">(233.9)</td></tr> <tr> <td>Impairment</td><td style="text-align: center;">(82.0)</td><td style="text-align: center;">(124.5)</td><td style="text-align: center;">(28.0)</td><td style="text-align: center;">(42.8)</td></tr> <tr> <td>Share of profit of associate</td><td style="text-align: center;">10.2</td><td style="text-align: center;">5.3</td><td style="text-align: center;">3.2</td><td style="text-align: center;">7.4</td></tr> <tr> <td><b>Profit before tax</b></td><td style="text-align: center;"><b>124.0</b></td><td style="text-align: center;"><b>159.6</b></td><td style="text-align: center;"><b>104.7</b></td><td style="text-align: center;"><b>105.3</b></td></tr> <tr> <td>Customer redress provision</td><td style="text-align: center;">115.0</td><td style="text-align: center;">57.4</td><td style="text-align: center;">-</td><td style="text-align: center;">30.0</td></tr> <tr> <td>Insurance migration fee</td><td style="text-align: center;">-</td><td style="text-align: center;">10.0</td><td style="text-align: center;">-</td><td style="text-align: center;">-</td></tr> <tr> <td>Non recurring credit</td><td style="text-align: center;">(30.0)</td><td style="text-align: center;">-</td><td style="text-align: center;">-</td><td style="text-align: center;">(30.0)</td></tr> <tr> <td>Gains on financial instruments, movements on derivatives and hedge accounting</td><td style="text-align: center;">-</td><td style="text-align: center;">-</td><td style="text-align: center;">(5.9)</td><td style="text-align: center;">(2.6)</td></tr> <tr> <td>Legacy insurance commission</td><td style="text-align: center;">(21.7)</td><td style="text-align: center;">(63.3)</td><td style="text-align: center;">-</td><td style="text-align: center;">(17.1)</td></tr> <tr> <td><b>Underlying profit before tax</b></td><td style="text-align: center;"><b>187.3</b></td><td style="text-align: center;"><b>163.7</b></td><td style="text-align: center;"><b>98.8</b></td><td style="text-align: center;"><b>85.6</b></td></tr> <tr> <td colspan="6"> <hr/> </td></tr> <tr> <td colspan="5"> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 25%;">Net interest margin <sup>1</sup></td><td style="text-align: center; width: 15%;">4.1%</td><td style="text-align: center; width: 15%;">4.7% *</td><td style="text-align: center; width: 15%;">4.2%</td><td style="text-align: center; width: 15%;">4.2%*</td></tr> <tr> <td>Cost: income ratio <sup>2</sup></td><td style="text-align: center;">69.6%</td><td style="text-align: center;">60.3%</td><td style="text-align: center;">64.2%</td><td style="text-align: center;">62.4%</td></tr> <tr> <td>Bad debt asset ratio <sup>3</sup></td><td style="text-align: center;">1.5%</td><td style="text-align: center;">2.4%</td><td style="text-align: center;">0.9%</td><td style="text-align: center;">1.8%</td></tr> </tbody> </table> </td></tr> </tbody></table> |   | 12 months<br>ended 28<br>February<br>2013<br>£m   | 12 months<br>ended 29<br>February<br>2012*<br>£m | 6 months ended<br>31 August 2013<br>£m  | 6 months ended<br>31 August 2012*<br>£m | Net interest income | 289.8  | 301.8 | 163.0 | 139.0                           | Non interest income | 353.6 | 400.5 | 198.4 | 235.6                             | <b>Total income</b> | <b>643.4</b> | <b>702.3</b> | <b>361.4</b> | <b>374.6</b> | Operating expenses | (447.6) | (423.5) | (231.9) | (233.9) | Impairment | (82.0) | (124.5) | (28.0) | (42.8) | Share of profit of associate | 10.2 | 5.3 | 3.2 | 7.4 | <b>Profit before tax</b> | <b>124.0</b> | <b>159.6</b> | <b>104.7</b> | <b>105.3</b> | Customer redress provision | 115.0 | 57.4 | - | 30.0 | Insurance migration fee | - | 10.0 | - | - | Non recurring credit | (30.0) | - | - | (30.0) | Gains on financial instruments, movements on derivatives and hedge accounting | - | - | (5.9) | (2.6) | Legacy insurance commission | (21.7) | (63.3) | - | (17.1) | <b>Underlying profit before tax</b> | <b>187.3</b> | <b>163.7</b> | <b>98.8</b> | <b>85.6</b> | <hr/> |  |  |  |  |  | <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 25%;">Net interest margin <sup>1</sup></td><td style="text-align: center; width: 15%;">4.1%</td><td style="text-align: center; width: 15%;">4.7% *</td><td style="text-align: center; width: 15%;">4.2%</td><td style="text-align: center; width: 15%;">4.2%*</td></tr> <tr> <td>Cost: income ratio <sup>2</sup></td><td style="text-align: center;">69.6%</td><td style="text-align: center;">60.3%</td><td style="text-align: center;">64.2%</td><td style="text-align: center;">62.4%</td></tr> <tr> <td>Bad debt asset ratio <sup>3</sup></td><td style="text-align: center;">1.5%</td><td style="text-align: center;">2.4%</td><td style="text-align: center;">0.9%</td><td style="text-align: center;">1.8%</td></tr> </tbody> </table> |  |  |  |  | Net interest margin <sup>1</sup> | 4.1% | 4.7% * | 4.2% | 4.2%* | Cost: income ratio <sup>2</sup> | 69.6% | 60.3% | 64.2% | 62.4% | Bad debt asset ratio <sup>3</sup> | 1.5% | 2.4% | 0.9% | 1.8% |
|   | 12 months<br>ended 28<br>February<br>2013<br>£m   | 12 months<br>ended 29<br>February<br>2012*<br>£m  | 6 months ended<br>31 August 2013<br>£m           | 6 months ended<br>31 August 2012*<br>£m |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| Net interest income   | 289.8   | 301.8   | 163.0  | 139.0                                   |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| Non interest income   | 353.6   | 400.5   | 198.4  | 235.6                                   |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| <b>Total income</b>   | <b>643.4</b>  | <b>702.3</b>  | <b>361.4</b>                                     | <b>374.6</b>                            |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| Operating expenses  | (447.6)   | (423.5)   | (231.9)  | (233.9)                                 |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| Impairment  | (82.0)  | (124.5)   | (28.0)   | (42.8)                                  |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| Share of profit of associate  | 10.2  | 5.3   | 3.2  | 7.4                                     |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| <b>Profit before tax</b>  | <b>124.0</b>  | <b>159.6</b>  | <b>104.7</b>                                     | <b>105.3</b>                            |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| Customer redress provision  | 115.0   | 57.4  | -  | 30.0                                    |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| Insurance migration fee   | -   | 10.0  | -  | -                                       |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| Non recurring credit  | (30.0)  | -   | -  | (30.0)                                  |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| Gains on financial instruments, movements on derivatives and hedge accounting   | -   | -   | (5.9)  | (2.6)                                   |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| Legacy insurance commission   | (21.7)  | (63.3)  | -  | (17.1)                                  |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| <b>Underlying profit before tax</b>   | <b>187.3</b>  | <b>163.7</b>  | <b>98.8</b>                                      | <b>85.6</b>                             |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| <hr/>   |   |   |  |   |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 25%;">Net interest margin <sup>1</sup></td><td style="text-align: center; width: 15%;">4.1%</td><td style="text-align: center; width: 15%;">4.7% *</td><td style="text-align: center; width: 15%;">4.2%</td><td style="text-align: center; width: 15%;">4.2%*</td></tr> <tr> <td>Cost: income ratio <sup>2</sup></td><td style="text-align: center;">69.6%</td><td style="text-align: center;">60.3%</td><td style="text-align: center;">64.2%</td><td style="text-align: center;">62.4%</td></tr> <tr> <td>Bad debt asset ratio <sup>3</sup></td><td style="text-align: center;">1.5%</td><td style="text-align: center;">2.4%</td><td style="text-align: center;">0.9%</td><td style="text-align: center;">1.8%</td></tr> </tbody> </table>  |   |   |  |   | Net interest margin <sup>1</sup>        | 4.1%                | 4.7% * | 4.2%  | 4.2%* | Cost: income ratio <sup>2</sup> | 69.6%               | 60.3% | 64.2% | 62.4% | Bad debt asset ratio <sup>3</sup> | 1.5%                | 2.4%         | 0.9%         | 1.8%         |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| Net interest margin <sup>1</sup>  | 4.1%  | 4.7% *  | 4.2%   | 4.2%*                                   |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| Cost: income ratio <sup>2</sup>   | 69.6%   | 60.3%   | 64.2%  | 62.4%                                   |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |
| Bad debt asset ratio <sup>3</sup>   | 1.5%  | 2.4%  | 0.9%   | 1.8%                                    |   |                     |        |       |       |                                 |                     |       |       |       |                                   |                     |              |              |              |              |                    |         |         |         |         |            |        |         |        |        |                              |      |     |     |     |                          |              |              |              |              |                            |       |      |   |      |                         |   |      |   |   |                      |        |   |   |        |   |   |   |       |       |                             |        |        |   |        |                                     |              |              |             |             |       |  |  |  |  |  |  |  |  |  |  |                                  |      |        |      |       |                                 |       |       |       |       |                                   |      |      |      |      |

1 Net interest margin is calculated by dividing net interest income by average interest bearing assets.

2 The cost: income ratio is calculated by dividing operating expenses by total income.

3 The bad debt asset ratio is calculated by dividing the impairment loss by the average balance of loans and advances to customers.

\* During the year to 28th February, 2013 the Issuer identified that the insurance instalment debtors, previously included within other assets, would be more appropriately classified as loans and advances to customers. The impact of this change in the 6 months to 31st August, 2012 and the 12 months to 28th February, 2012 is (a) a reduction in other assets and a corresponding increase in loans and advances to customers, (b) a reduction in fees and commissions income and a corresponding increase in interest income and (c) a related increase in the net interest margin. During the year to 28th February, 2013 the Issuer revised the capital disclosure of the holding in its insurance regulated associate, Tesco Underwriting Limited. The impact of this change in the 6 months to 31st August, 2012 and the 12 months to 28th February, 2012 is a reduction in the calculations of the Issuer's core tier one capital ratio. There is no change in the risk asset ratio.

|  |   |  |                            |                             |                          |
|--|---|--|----------------------------|-----------------------------|--------------------------|
|  | <p><i>Consolidated Statement of Financial Position – Summary Information</i></p> <p>The tables below set out a summary based on the Issuer's audited consolidated statement of financial position as at 28th February 2013 and 29th February, 2012 and the Issuer's unaudited consolidated statement of financial position as at 31st August, 2013 and 31st August, 2012.</p> |  |                            |                             |                          |
| <b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>  |   |  |                            |                             |                          |
|  | As at 28<br>February<br>2013  | As at 29<br>February 2012*   | As at 31<br>August<br>2013 | As at 31 August<br>2012*    | As at 31 August<br>2012* |
|  | £m  | £m   | £m                         | £m                          | £m                       |
| Loans and advances to customers  | 5,570.4   | 4,672.1  | 6,436.5                    |                             | 4,796.5                  |
| Total assets   | 8,431.3   | 7,605.1  | 8,701.9                    |                             | 7,933.5                  |
| Deposits from banks  | 15.2  | 77.7   | 1,054.2                    |                             | 5.1                      |
| Deposits from customers  | 6,003.5   | 5,389.8  | 5,217.8                    |                             | 5,435.9                  |
| Net assets   | 1,226.8   | 1,190.0  | 1,443.1                    |                             | 1,319.9                  |
| <b>Capital and Liquidity Ratios</b>  |   |  |                            |                             |                          |
|  | As at 28<br>February<br>2013  | As at 29<br>February 2012*   | As at 31<br>August<br>2013 | As at 31<br>August<br>2012* |                          |
| Tier 1 capital ratio <sup>1</sup>  | 12.8%   | 14.2%  | 13.9%                      |                             | 15.4%                    |
| Risk asset ratio <sup>2</sup>  | 19.1%   | 16.0%  | 17.0%                      |                             | 16.9%                    |
| Net stable funding ratio <sup>3</sup>  | 120.6%  | 120.7%   | 112.5%                     |                             | 124.1%                   |
| <p><sup>1</sup> The tier 1 capital ratio is calculated by dividing total tier 1 capital at the end of the year by total risk weighted assets.</p> <p><sup>2</sup> The risk asset ratio is calculated by dividing total regulatory capital by total risk weighted assets.</p> <p><sup>3</sup> The net stable funding ratio is calculated by dividing long term funding by loans and advances to customers and other liquid assets.</p> <p>* During the year to 28th February, 2013 the Issuer identified that the insurance instalment debtors, previously included within other assets, would be more appropriately classified as loans and advances to customers. The impact of this change in the 6 months to 31st August, 2012 and the 12 months to 28th February, 2012 is (a) a reduction in other assets and a corresponding increase in loans and advances to customers, (b) a reduction in fees and commissions income and a corresponding increase in interest income and (c) a related increase in the net interest margin. During the year to 28th February, 2013 the Issuer revised the capital disclosure of the holding in its insurance regulated associate, Tesco Underwriting Limited. The impact of this change in the 6 months to 31st August, 2012 and the 12 months to 28th February, 2012 is a reduction in the calculations of the Issuer's core tier one capital ratio. There is no change in the risk asset ratio.</p> |   |  |                            |                             |                          |
|  | <p><i>Statements of no significant or material adverse change</i></p> <p>There has been no material adverse change in the prospects of the Issuer since 28th February, 2013. There has been no significant change in the financial or trading position of the Group since 31st August, 2013.</p>  |  |                            |                             |                          |
| <b>B.13</b>  | Events impacting the Issuer's solvency  | Not Applicable; there have been no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.  |                            |                             |                          |
| <b>B.14</b>  | Dependence upon other group entities  | <p>The Issuer is a wholly owned subsidiary of TPFG. TPFG in turn is a wholly owned subsidiary of Tesco.</p> <p>The Issuer leverages off Tesco's customer base, IT infrastructure, the "Clubcard" database and franchise and the strength of the Tesco brand. A significant proportion of the Issuer's United Kingdom customer base are existing Tesco Group customers that utilise other retail services offered by Tesco. The "Clubcard" reward points incentive scheme operated by Tesco is a significant factor in the Issuer's ability to attract new customers and retain existing customers.</p> |                            |                             |                          |
| <b>B.15</b>  | Principal activities  | The Issuer offers a range of retail financial service products to customers predominantly located within the United Kingdom. The products and services offered by the Issuer are available online (including mobile), over the telephone and in certain cases, through Tesco stores.   |                            |                             |                          |

|             |                          |  |
|-------------|--------------------------|--|
|             |                          | The Issuer offers a range of retail financial service products through the following categories: general insurance, selected life insurance, credit cards, personal loans, personal savings products and mortgages. It also manages a network of automated teller machines on behalf of the Tesco Group.   |
| <b>B.16</b> | Controlling shareholders | The Issuer is a wholly owned subsidiary of TPFG. TPFG in turn is a wholly owned subsidiary of Tesco.   |
| <b>B.17</b> | Credit ratings           | Not Applicable; no credit ratings have been assigned to the Issuer or its debt securities at the request or with the cooperation of the Issuer in the rating process.<br><br><b><i>Issue specific summary:</i></b><br>[The Notes [have been]/[are expected to be] rated ● by ●. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.] |

| Section C – Securities |  |  |
|------------------------|--|--|
| Element                | Title  |  |
| <b>C.1</b>             | Description of Notes/ISIN  | <p>The Notes described in this section may be debt securities with a denomination of less than €100,000 (or its equivalent in any other currency) or at least €100,000 (or its equivalent in any other currency). The Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, RPI Linked Notes, or a combination of the foregoing.</p> <p><b><i>Issue specific summary:</i></b></p> <p>The Notes are [£/€/U.S.\$/[      ]]● [● per cent./Floating Rate/Zero Coupon/RPI-Linked] Notes due ●.</p> <p>The Notes have a Specified Denomination of ●.</p> <p>International Securities Identification Number (ISIN): ●</p>  |
| <b>C.2</b>             | Currency   | <p>Subject to compliance with all applicable laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer at the time of issue.</p> <p><b><i>Issue specific summary:</i></b></p> <p>The currency of this Series of Notes is [Pounds Sterling (£)/Euro (€)/U.S. dollars (U.S.\$)/[      ](●)].</p>   |
| <b>C.5</b>             | Restrictions on transferability  | Not Applicable; there are no restrictions on the free transferability of the Notes.  |
| <b>C.8</b>             | Rights attached to the Notes including ranking and limitations on those rights | <p>Notes issued under the Programme will have terms and conditions relating to, among other matters:</p> <p><b><i>Status (Ranking)</i></b></p> <p>The Notes and any relative Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank pari passu among themselves and (save for certain debts preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.</p> <p><b><i>Taxation</i></b></p> <p>All payments in respect of Notes will be made without deduction for or on account of withholding taxes imposed within the United Kingdom unless such deduction is required by law. In the event that any such deduction is required, the Issuer will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted.</p> <p>In addition, all payments in respect of the Notes will be made subject in all cases to, <i>inter alia</i>, any withholding or deduction required pursuant to an agreement described in Section</p> |

|     |                         |  |
|-----|-------------------------|--|
|     |                         | <p>1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the <b>Code</b>) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.</p> <p><b>Events of default</b></p> <p>The terms of the Notes contain, amongst others, the following events of default:</p> <ul style="list-style-type: none"> <li>(a) default in payment of any principal or interest due in respect of the Notes, continuing for a specified period of time;</li> <li>(b) events relating to the winding up, cessation of business, administration, insolvency and creditor arrangements of the Issuer and certain material subsidiaries of the Issuer;</li> <li>(c) (i) certain types of indebtedness (subject to an aggregate threshold of £25,000,000) of the Issuer or certain material subsidiaries of the Issuer being declared due and payable prior to the date on which the same would have become due and payable by reason of the occurrence of an event of default in relation to such indebtedness; or (ii) default in payment by the Issuer or certain material subsidiaries of the Issuer of certain types of indebtedness (subject to an aggregate threshold of £25,000,000) at the maturity thereof or at the expiry of any applicable grace period or any guarantee of any such indebtedness given by the Issuer or certain material subsidiaries of the Issuer, when due and called upon save in any such case where there is a bona fide dispute as to whether payment or repayment is due; and</li> <li>(d) non-performance or non-observance by the Issuer of any of its other obligations under the conditions of the Notes or the Trust Deed, in certain cases continuing for a specified period of time.</li> </ul> <p><b>Meetings</b></p> <p>The terms of the Notes contain provisions for calling meetings of holders of such Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p> <p><b>Governing law</b></p> <p>English law.</p> |
| C.9 | Interest/<br>Redemption | <p><b>Interest</b></p> <p>Notes may or may not bear interest. Interest-bearing Notes will either bear interest payable at a fixed rate, a floating rate or at a rate calculated by reference to movements in the UK Retail Prices Index.</p> <p><b>Issue specific summary:</b></p> <p>[The Notes bear interest [from their date of issue/from ●] at the fixed rate of ● per cent. per annum. The yield of the Notes is ● per cent. Interest will be paid [semi-annually/annually] in arrear on ● in each year. The first interest payment will be on ●.]</p> <p>[The Notes bear interest [from their date of issue/from ●] at floating rates calculated by reference to [ ] [plus/minus] a margin of ● per cent. Interest will be paid [quarterly] in arrear on ●, ●, ● and ● in each year, subject to adjustment for non-business days. The first interest payment will be on ●.]</p> <p>[The Notes bear interest [from their date of issue/from ●] at a rate of ● per cent. per annum (the <b>Rate of Interest</b>), which is subject to adjustment by reference to movements in the UK Retail Prices Index (<b>RPI</b>) (for all items) published by the Office of National Statistics (January 1987 = 100), or any other comparable index which may replace RPI for the purpose of calculating relevant amounts in respect of the Notes, between [ ] and the [month]/[ ] which is ● months prior to the relevant date for payment. Interest will be paid [semi-annually] in arrear on ● and ● in each year[, subject to adjustment for non-business</p>  |

|      |   |  |
|------|---|--|
|      |   | <p>days] (each an <b>Interest Payment Date</b>.)]</p> <p>[The Notes do not bear any interest [and will be offered and sold at a discount to their nominal amount].]</p> <p><b>Redemption</b></p> <p>The terms under which Notes may be redeemed (including the maturity date and the price at which they will be redeemed on the maturity date as well as any provisions relating to early redemption) will be agreed between the Issuer and the relevant Dealer at the time of issue of the relevant Notes.</p> <p><b>Issue specific summary:</b></p> <p>Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on ● at ● per cent. of their nominal amount [subject to adjustment by reference to movements in RPI, between [ ] and the [month]/[ ] which is ● months prior to the relevant date for payment]. The Notes may be redeemed early for tax reasons [or for indexation reasons] [or [ ] at [ ]], in each case adjusted by reference to movements in RPI during the period described above].</p> <p><b>Representative of holders</b></p> <p>Capita Trust Company Limited (the <b>Trustee</b>) will act as trustee for the holders of Notes. The Trustee may, without the consent of any holders and without regard to the interests of particular holders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of any holders that an 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 the Notes in place of the Issuer.</p> |
| C.10 | Derivative component in the interest payments | <p>Notes may or may not be derivative securities.</p> <p><b>Issue specific summary:</b></p> <p>[Not Applicable; the Notes are not derivative securities.]</p> <p>[The Notes are derivative securities, reflecting the fact that [the amount of interest payable on each Interest Payment Date] [and/or] [the amount to be repaid upon redemption of the Notes] will be calculated by reference to movements in RPI between ● (the <b>Base Index Figure</b>) and the RPI figure relating to the [●]/[ ] prior to the relevant Interest Payment Date (the "reference period"). [A decrease in RPI over the reference period will reduce the amount of interest payable on the Notes. In a deflationary environment, the annual interest received may be lower than the rate of ● per cent. per annum] [subject to ●].]</p> <p>[However, a][A] decrease in RPI over the reference period [may][will not] reduce the amount to be repaid upon redemption of the Notes to less than [the nominal amount] of the Notes.]</p>   |
| C.11 | Listing and Admission to trading              | <p>Notes issued under the Programme will be listed and admitted to trading on the London Stock Exchange.</p> <p><b>Issue specific summary:</b></p> <p>[Application [has been][is expected to be] made by the Issuer (or on its behalf) for the Notes to be listed on the London Stock Exchange and admitted to trading on the London Stock Exchange's regulated market [through the London Stock Exchange's electronic order book for retail bonds (<b>ORB</b>)] with effect from [●].]</p> <p>[Not Applicable; the Notes are in denominations of at least €100,000 (or its equivalent in any other currency) and are not RPI-Linked Notes.]</p>   |

|      |  |  |
|------|--|--|
| C.15 | Any underlying which may affect the value of the Notes | <p>Payments of principal on RPI-Linked Redemption Notes and interest on RPI-Linked Interest Notes will be adjusted to take into account changes in RPI from the relevant Base Index Figure.</p> <p><b><i>Issue specific summary:</i></b></p> <p>[Not Applicable; the Notes are not RPI-Linked Notes]</p> <p>[In respect of the Notes, the Rate of Interest (● per cent. per annum) will, for the purposes of determining the amount of interest payable on any Interest Payment Date, be multiplied by the ratio which reflects the change in RPI between the Base Index Figure and the RPI figure relating to the ● prior to the relevant Interest Payment Date.]</p> <p>[Subject to any early redemption of the Notes, the Notes will be redeemed on ● at ● per cent. of their aggregate nominal amount, provided that:</p> <ul style="list-style-type: none"> <li>(i) if the RPI figure relating to the ● prior to the relevant [month in/date on] which such payment falls to be made is higher than the Base Index Figure, an additional amount reflecting such increase in RPI will also be paid [(subject to the maximum redemption amount of ●)]; and</li> <li>(ii) if the RPI figure relating to the ● prior to the relevant [month in/date on] which such payment falls to be made is lower than the Base Index Figure, the amount payable on redemption of the Notes will be reduced to reflect such decrease in RPI [(subject to the minimum redemption amount of ●)].]</li> </ul> |
| C.16 | Exercise date/final reference date                     | <p>The relevant maturity date in respect of RPI-Linked Notes will be such date as may be agreed between the Issuer and the relevant Dealer at the time of issue of RPI-Linked Notes.</p> <p><b><i>Issue specific summary:</i></b></p> <p>[Not Applicable; the Notes are not RPI-Linked Notes.]</p> <p>[The maturity date of the Notes will be [●].]</p>  |
| C.17 | Settlement procedure of Derivative securities          | <p>Notes will be delivered on the specified issue date either against payment of the issue price or free of payment of the issue price of the Notes. Notes may be cleared and settled through Euroclear Bank S.A./N.V. (<b>Euroclear</b>), Clearstream Banking, société anonyme (<b>Clearstream, Luxembourg</b>) or CREST.</p> <p><b><i>Issue specific summary:</i></b></p> <p>[Not Applicable; the Notes are not RPI-Linked Notes.]</p> <p>[The Notes will be cleared and settled through [Euroclear/Clearstream, Luxembourg [and/or ●].]</p> <p>[Noteholders will hold interests in the Notes through CREST through the issuance of dematerialised depositary interests (<b>CDIs</b>), issued, held, settled and transferred through CREST, representing interests in the Notes underlying the CDIs. CDIs are independent securities constituted under English law and transferred through CREST and will be issued by CREST Depository Limited pursuant to the global deed poll dated 25th June, 2001 (as subsequently modified, supplemented and/or restated).</p> <p>Neither the Notes nor any rights attached thereto will be issued, held, transferred or settled within the CREST system other than through the issue, holding, transfer and settlement of CDIs. Holders of CDIs will not be entitled to deal directly in the Notes and, accordingly, all dealings in the Notes will be effected through CREST in relation to the holding of CDIs.]</p>                                |
| C.18 | Return on derivative securities                        | <p>Payments of principal and/or interest on RPI-Linked Notes are subject to adjustment by reference to movements in RPI.</p> <p><b><i>Issue specific summary:</i></b></p> <p>[Not Applicable; the Notes are not RPI-Linked Notes.]</p> <p>[The amount of interest payable to Noteholders on each Interest Payment Date will be</p>   |

|      |  |   |
|------|--|---|
|      |  | <p>adjusted for changes in RPI between [ ] and [ ] prior to the relevant Interest Payment Date.]</p> <p>[Subject to any early redemption of the Notes, the Notes will be redeemed on ● at ● per cent. of their aggregate nominal amount, provided that:</p> <ul style="list-style-type: none"> <li>(i) if the RPI figure relating to the ● prior to the relevant [month in/date on] which such payment falls to be made is higher than the Base Index Figure, an additional amount reflecting such increase in RPI will also be paid [(subject to the maximum redemption amount of ●)]; and</li> <li>(ii) if the RPI figure relating to the ● prior to the relevant [month in/date on] which such payment falls to be made is lower than the Base Index Figure, the amount payable on redemption of the Notes will be reduced to reflect such decrease in RPI [(subject to the minimum redemption amount)].]</li> </ul>   |
| C.19 | Exercise price/final reference price of the underlying | <p>The amount payable in respect of RPI-Linked Notes will be calculated using the Base Index Figure and a second reference price relating to RPI prior to the relevant payment date in respect of such RPI-Linked Notes.</p> <p><b><i>Issue specific summary:</i></b></p> <p>[Not Applicable; the Notes are not RPI-Linked Notes.] [The amounts payable in respect of the Notes will be calculated using the Base Index Figure and a second reference price that relates to RPI relating to the ● prior to the relevant payment date in respect of the Notes.]</p>  |
| C.20 | Underlying   | <p>Payments of principal and/or interest on RPI-Linked Notes are subject to adjustment by reference to movements in RPI.</p> <p><b><i>Issue specific summary:</i></b></p> <p>[Not Applicable; the Notes are not RPI-Linked Notes] [RPI is one of the most familiar general purpose domestic measures of inflation in the UK. RPI has been used as a measure of inflation since 1947 and measures the average change from month to month in the prices of goods and services purchased by most households in the UK. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys.</p> <p>RPI is compiled by the UK Office of National Statistics (<b>ONS</b>) using a large and representative selection of separate goods and services for which price movements are regularly measured in various areas throughout the UK. If prices rise compared to the previous month, the RPI goes up and if prices fall compared to the previous month, the RPI goes down. It takes two or three weeks for the ONS to compile the index, so each month's RPI figure is published during the following month, (e.g. the figure relating to July will be published in August). The RPI figures used in the calculation of [interest payments on the Notes] [and] [the redemption amount of the Notes] are numerical representations of where prices on a list of items bought by an average family stand at a point in time, in relation to their past values.</p> <p>More information on RPI, including past and current levels, can be found at the following website:<a href="http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Economy#tab-data-tables.">http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Economy#tab-data-tables.</a>]</p> |
| C.21 | Admission to trading                                   | <p>Notes issued under the Programme will be listed and admitted to trading on the London Stock Exchange.</p> <p><b><i>Issue specific summary:</i></b></p> <p>[Not Applicable; the Notes are in denominations of less than €100,000 (or its equivalent in any other currency).]</p> <p>[Application [has been][is expected to be] made by the Issuer (or on its behalf) for the Notes to be listed on the London Stock Exchange and admitted to trading on the London Stock Exchange's regulated market [through the London Stock Exchange's electronic order book for retail bonds (ORB)] with effect from [●].]</p>  |

| Section D – Risks |                                |  |
|-------------------|--------------------------------|--|
| Element           | Title                          |  |
| D.2               | Key risks regarding the Issuer | <ul style="list-style-type: none"> <li>• The Issuer's business is subject to inherent risks arising from economic conditions in the UK and other markets. Any significant economic deterioration in the UK and/or other economies in which the Issuer operates, or to which the Issuer has direct or indirect exposures, could have a material adverse effect on the Issuer's results of operations, financial condition or prospects.</li> <li>• The Issuer's business is subject to inherent risks arising from the instability of the financial markets and the continuing sovereign debt crisis. The Issuer is also subject to the risk that the financial soundness of other financial institutions within and outside the UK deteriorates and/or is perceived to deteriorate. If any of these risks were to materialise, it could have a material adverse effect on the Issuer's results of operations, financial condition or prospects.</li> <li>• The Issuer's business is subject to inherent risks concerning customer and counterparty credit quality. The Issuer has concentrated exposure to the UK, to the retail customer sector, and to customers of the Tesco Group. The failure by customers or counterparties to meet their payment obligations could have a material adverse effect on the Issuer's results of operations, financial condition or prospects.</li> <li>• The Issuer's business is subject to inherent risks concerning capital, liquidity and funding. Enhanced capital and liquidity requirements applicable to banks are likely to increase the amount of capital and liquid assets that the Issuer is required to hold. The Issuer's borrowing costs and access to funding could be adversely affected by regulatory and market developments, including in connection with the Funding for Lending Scheme.</li> <li>• The Issuer's business is subject to inherent risks concerning market fluctuations, in particular that changes in interest rate levels, interbank margins, yield curves and/or spreads adversely affect the interest rate margin realised between lending and borrowing costs.</li> <li>• The Issuer is exposed to insurance risk and to the insurance cycle. Fluctuations in the timing, frequency or severity of insured events relative to expectations at the time of underwriting and periods of increased competition and/or falling rates in insurance markets could each have a material adverse effect on its results of operations, financial condition or prospects.</li> <li>• The Issuer's businesses are subject to substantial regulation, regulatory and governmental oversight, and various forms of regulatory and legal risk. The exact nature of the risks the Issuer faces and the manner and extent to which they ultimately impact the Issuer is impossible to predict but these risks could result in additional costs, losses and/or provisions (including in respect of customer redress) or limit or restrict the way that the Issuer conducts business and may have a material adverse effect on the Issuer, financially and/or reputationally.</li> <li>• The Issuer's business is subject to inherent operational risks, including the risk of fraud, failures or inadequacies in its systems or processes, natural disasters and the failure of external systems. The Issuer's business is also dependent on the integrity and efficiency of its IT infrastructure and its third party service providers. Operational risks or losses could disrupt the Issuer's business, adversely affect its reputation and/or have a material adverse effect on its results of operations, financial condition or prospects.</li> <li>• The Issuer's business is conducted in highly competitive markets. Its financial performance may be adversely affected by any failure to respond effectively to</li> </ul> |

|     |                               |   |
|-----|-------------------------------|---|
|     |                               | <p>competitive pressures or technological developments.</p> <ul style="list-style-type: none"> <li>• The Issuer's business is subject to inherent reputational risk, including in respect of the Tesco Group. Failure to protect the Issuer's reputation, or damage to the reputation of the Tesco Group, could lead to a loss of trust and confidence in the Issuer.</li> <li>• The Issuer's liability for contributions to the Tesco Group pension scheme could have a material adverse effect on its financial position.</li> <li>• The Issuer is subject to risks associated with changes to accounting standards, rules and interpretations, to risks associated with changes in taxation rates, laws and interpretations and to risks arising from the possibility of Scottish independence or a referendum on the UK's membership of the EU. The exact nature of the risks the Issuer faces and the manner and extent to which they ultimately impact the Issuer is impossible to predict but each of these factors could have a material adverse effect on the Issuer's results of operations, financial condition or prospects.</li> <li>• The exercise of regulatory powers under the Banking Act 2009 and/or the Crisis Management Directive could have a material adverse effect on the Issuer's financial position or prospects or the position of the Noteholders, since the application of any such powers may affect the rights and effective remedies of the Noteholders and the market value of the Notes.</li> <li>• Implementation of banking reform proposals could have a material adverse effect on the Issuer's financial position or prospects or the position of the Noteholders.</li> <li>• The proposed interchange regulations published by the European Commission would cap interchange fees on credit cards and debit cards. Credit cards represent a significant part of the Issuer's business so this may have a material adverse effect on the Issuer's results of operations, financial position or prospects.</li> </ul> |
| D.3 | Key risks regarding the Notes | <ul style="list-style-type: none"> <li>• No Notes are protected by the UK Financial Services Compensation Scheme;</li> <li>• There may be no or only a limited secondary market in any Notes;</li> <li>• A holder of the Notes may not receive the full amount of payments due in respect of Notes should the Issuer be required to hold or deduct amounts at source on account of tax from such payments in order to comply with applicable law;</li> <li>• The Conditions of Notes may be modified without the consent of the holder in certain circumstances;</li> <li>• The value of Notes may be affected by a change in law, regulation or administrative practice; and</li> <li>• The value of an investor's investment may be adversely affected by exchange rate movements where Notes are not denominated in the investor's own currency.</li> </ul> <p>There are also a range of risks that may apply, depending on the structure of the particular Notes being issued, including:</p> <ul style="list-style-type: none"> <li>• investors who purchase Notes in denominations which are not an integral multiple of the Specified Denomination will be adversely affected if definitive Notes are subsequently required to be issued;</li> <li>• investors who hold CDIs may experience difference rights and returns;</li> <li>• any credit rating assigned to the Notes may not adequately reflect all risks associated with an investment in the Notes;</li> <li>• changes in prevailing interest rates and inflation could affect the value and yield of the Notes;</li> <li>• the Notes may be subject to early redemption, which may limit their market value; and</li> <li>• in the context of RPI-Linked Redemption Notes, principal paid on redemption may be less than the face value of the Notes and/or the amount of interest payable may</li> </ul>  |

|     |              |  |
|-----|--------------|--|
|     |              | <p>reduce.</p> <p><b>Issue specific summary:</b></p> <p>The Notes are subject to the following key risks:</p> <ul style="list-style-type: none"> <li>• the Notes are not protected by the UK Financial Services Compensation Scheme;</li> <li>• there may be no or only a limited secondary market in the Notes;</li> <li>• Noteholders may not receive the full amount of payments due in respect of the Notes should the Issuer be required to hold or deduct amounts at source on account of tax from such payments in order to comply with applicable law;</li> <li>• the Conditions of the Notes may be modified without the consent of the holder in certain circumstances</li> <li>• the value of the Notes may be affected by a change in law, regulation or administrative practice;</li> <li>• the value of an investor's investment in the Notes may be adversely affected by exchange rate movements where the Notes are not denominated in the investor's own currency;</li> <li>• [investors who purchase the Notes in denominations which are not an integral multiple of the Specified Denomination will be adversely affected if definitive Notes are subsequently required to be issued;]</li> <li>• [Noteholders will hold interests in the Notes through CREST through the issuance of CDIs. As such, Noteholders may experience different rights and returns;]</li> <li>• [the credit rating assigned to the Notes may not adequately reflect all risks associated with an investment in the Notes;]</li> <li>• [changes in prevailing interest rates and inflation could affect the value and yield of the Notes;]</li> <li>• [the Notes are subject to early redemption, which may limit their market value;]</li> <li>• [the Notes are RPI-Linked Interest Notes and so the amount of interest payable on the Notes may reduce;] [and]</li> <li>• [the Notes are RPI-Linked Redemption Notes and so the principal paid on redemption may be less than the face value of the Notes].</li> </ul> |
| D.6 | Risk warning | <p>Investors are relying on the creditworthiness of the Issuer and no other person.</p> <p>The Notes may be RPI-Linked Redemption Notes which do not specify a minimum redemption amount equal to at least 100 per cent. of the nominal amount of the Notes. In respect of such Notes, a decrease in RPI over the reference period will reduce the amount to be repaid upon redemption of the Notes to less than the face amount of the Notes.</p> <p><b>Investors may lose up to the entire value of their investment and the redemption amount payable may be less than the initial purchase price and could be as low as zero.</b></p> <p><b>Issue specific summary:</b></p> <p>[Not Applicable; the Notes will be redeemed at [at least] 100 per cent. of their principal amount.] [A decrease in RPI over the reference period may reduce the amount of interest payable, or the amount to be repaid upon redemption of the Notes, to less than the specified rate of interest or the face amount of the Notes, as applicable.]</p>   |

| Section E – Offer |                 |   |
|-------------------|-----------------|---|
| Element           | Title           |   |
| E.2b              | Use of proceeds | The net proceeds from each issue of Notes may be applied by the Issuer for its general corporate purposes, which include making a profit, or may be applied for particular uses, as |

|     |                                   |  |
|-----|-----------------------------------|--|
|     |                                   | <p>determined by the Issuer.</p> <p><b><i>Issue specific summary:</i></b></p> <p>[The net proceeds from the issue of the Notes will be applied by the Issuer [for its general corporate purposes, which include making a profit] [[and] [ ]].]</p> <p>[Not Applicable; the Notes are in denominations of at least €100,000 (or its equivalent in any other currency) and are not RPI-Linked Notes.]</p>  |
| E.3 | Terms and conditions of the offer | <p>Under the Programme, Notes may be offered to the public in a Public Offer in the United Kingdom and/or Ireland.</p> <p>The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Dealer at the time of issue.</p> <p><b><i>Issue specific summary:</i></b></p> <p>[Not Applicable; the Notes are in denominations of at least €100,000 (or its equivalent in any other currency).]</p> <p>[This issue of Notes is being offered in a Public Offer in [the United Kingdom] [[and] Ireland].]</p> <p>[An Investor intending to acquire or acquiring any Notes from an Offeror other than the Issuer will do so, and offers and sales of Notes to an Investor by such Offeror will be made, in accordance with any terms and other arrangements in place between such Offeror and such Investor including as to price, allocations and settlement arrangements.</p> <p>Offer Price: [The Issue Price][Not Applicable] [ ]</p> <p>Conditions to which the offer is subject: [Not Applicable] [ ]</p> <p>Offer Period: [The period from [[ ] until [ ]/[the Issue Date]]/[the date which falls ● Business Days thereafter]]</p> <p>Description of the application process: [Not Applicable] [ ]</p> <p>Details of the minimum and/or maximum amount of application: [Not Applicable] [ ]</p> <p>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable] [ ]</p> <p>Details of method and time limits for paying up and delivering the Notes: [Not Applicable] [ ]</p> <p>Manner in and date on which results of the offer are to be made public: [Not Applicable] [ ]</p> <p>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable] [ ]</p> <p>Whether tranche(s) have been reserved for certain countries: [Not Applicable] [ ]</p> <p>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable] [ ]</p> <p>Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable] [ ]</p> |

|            |   |  |
|------------|---|--|
|            |   | <p>Name(s) and address(es), to the extent [None][ ] known to the Issuer, of the placers in the various countries where the offer takes place:</p> <p>[Categories of potential investors to which the [ ]]]</p> <p>Notes are offered:</p>   |
| <b>E.4</b> | Interest of natural and legal persons involved in the issue/offer | <p>The relevant Dealers may be paid fees in relation to any issue of Notes under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.</p> <p><b><i>Issue specific summary:</i></b></p> <p>[The [Dealers/Managers] will be paid aggregate commissions equal to ● per cent. of the nominal amount of the Notes.] [Other than as mentioned above, [and save for ●,] so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer, including conflicting interests.]</p> |
| <b>E.7</b> | Expenses charged to the investor by the Issuer                    | <p>The Issuer will not charge any expenses to investors in connection with any issue of Notes. Authorised Offerors may, however, charge expenses to investors. Such expenses (if any) and their terms will be determined by agreement between the relevant Authorised Offeror and the investors at the time of each issue.</p> <p><b><i>Issue specific summary:</i></b></p> <p>[Not Applicable; no expenses will be charged to investors by the Issuer.]</p>   |

## Risk Factors

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

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.*

### **FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME**

#### ***Business and economic risks***

*The Issuer's business is subject to inherent risks arising from economic conditions in the UK and other markets.*

The Issuer's business is subject to inherent risks arising from general and sector-specific economic conditions in the markets in which it operates, particularly the United Kingdom (the "UK"), in which the Issuer's earnings are predominantly generated. Any significant economic deterioration in the UK and/or other economies in which the Issuer operates, or to which the Issuer has direct or indirect exposures, could have a material adverse effect on the Issuer's results of operations, financial condition or prospects. For example, lack of or reduced economic growth, higher unemployment, reduced government or consumer spending and/or reduced corporate or personal earnings may affect customers' ability to repay loans and/or cause prices of real estate and other assets to fall further, in turn causing increased impairments and/or fair value adjustments. The exact nature of the risks that the Issuer faces and the manner and extent to which they ultimately will impact the Issuer is difficult to predict and to guard against in light of the inter-related nature of the risks involved, difficulties in predicting whether any recovery will be sustained and at what rate, and the fact that the risks are outside the control of the Issuer.

In addition, any downgrade of the UK sovereign credit rating, or the perception that such a downgrade may occur, may severely destabilise the markets and the UK economy and/or have a material adverse effect on the Issuer's operating results, financial condition or prospects. It could have a material adverse impact on the cost and availability of funding for UK banks generally and/or the Issuer in particular. It may reduce asset prices, including the prices of UK sovereign debt instruments. It could also have a material effect in depressing consumer confidence and economic activity, increasing the cost and availability of funding for individuals and companies and increasing unemployment. It is difficult to predict and to guard against the manner and extent to which these factors may adversely affect the Issuer, its counterparties and its customers. See also "*The Issuer's business is subject to inherent risks arising from the instability of the financial markets and the continuing sovereign debt crisis*".

*The Issuer's business is subject to inherent risks arising from the instability of the financial markets and the continuing sovereign debt crisis.*

The Issuer's business is subject to inherent risks arising from financial market instability. The global financial system has suffered considerable turbulence in recent years and the outlook remains uncertain. In addition, the ongoing economic deterioration of several countries in Europe and in particular, the risk of default on the sovereign debt of those countries and/or contagion to other, more stable countries has raised concerns about the ongoing viability of the euro currency and the European Monetary Union. Despite the various rescue packages and other stabilising measures adopted to deal with financial market instability and the sovereign debt crisis, uncertainty continues to pose a serious threat to global economic conditions. Financial markets are expected to remain dislocated and volatile, with the risk of contagion unlikely to dissipate in the near term. The effects of

these risks are impossible to predict and fully protect against. They continue to place strain on funding markets and if any of them were to materialise, it could have a material adverse effect on the Issuer's results of operations, financial condition or prospects.

The Issuer is also subject to the risk that the financial soundness of other financial institutions within and outside the UK deteriorates and/or is perceived to deteriorate. Financial institutions are interrelated as a result of trading, investment, clearing, counterparty and other relationships. Systemic risk that adversely affects financial institutions such as clearing houses, securities firms, banks and exchanges with which the Issuer interacts on a frequent basis could have a material adverse effect on the Issuer's financial position. In addition, a default by, or concerns about the financial soundness of, one or more financial institutions could lead to further systemic liquidity problems or losses or defaults by other financial institutions, which could restrict the Issuer's access to liquidity and/or result in losses which could have a material adverse effect on the Issuer's results of operations, financial condition or prospects.

*The Issuer's business is subject to inherent risks concerning customer and counterparty credit quality.*

The Issuer has exposures to many different customers and counterparties and the credit quality of those exposures (or the risk that the customers or counterparties fail to meet their payment obligations) can have a significant impact on its results of operations, financial condition and prospects. The exposures arise principally from the Issuer's lending to customers but also from deposits and investments with banks and money-market funds, purchases of treasury securities, and derivative and repurchase transactions. In addition, the Issuer may from time to time have short-term lending exposures to Tesco PLC.

Adverse changes in the credit quality of the Issuer's customers and counterparties, or in their behaviour or businesses, may reduce the value of the Issuer's assets and increase impairments and/or fair value adjustments. Credit quality can be affected by a range of factors, including the strength of the economy, unemployment, corporate and personal earnings, government and consumer spending, insolvency rates, changes in interest rates, indebtedness and asset values.

The Issuer has concentrated exposure to the UK and to the retail customer sector. Retail customer portfolios will remain strongly linked to the economic conditions in the UK, with unemployment increases, rising interest rates, consumer over-indebtedness and house price deterioration among the factors that may impact retail credit exposures. The Issuer also has concentrated exposure to customers of the Tesco Group. The Issuer aims to target customer segments that align to its risk appetite but changes in Tesco Group strategy could result in changes in customer behaviour and subsequent levels of credit risk.

Lending decisions and the management of credit exposures are dependent on the Issuer's assessment of the customer's or counterparty's ability to pay and there is an inherent risk that the Issuer incorrectly assesses the credit quality or willingness of customers or counterparties to pay, possibly due to inaccurate or incomplete disclosure by those customers or counterparties or as a result of the inherent uncertainty that is involved in estimating credit risk. The failure by customers or counterparties to meet their payment obligations to the Issuer could have a material adverse effect on the Issuer's results of operations, financial condition or prospects.

*The Issuer's business is subject to inherent risks concerning liquidity and funding.*

The Issuer's business is subject to risks concerning liquidity and funding, which are inherent in banking activities. The ability of the Issuer to gain access to retail deposits and wholesale funding sources on satisfactory economic terms is subject to a number of factors, including market conditions, regulatory requirements, confidence in the UK banking system and in the Issuer, competition for funds, and the availability and extent of deposit guarantees. If access to liquidity and funding is constrained or made more expensive, this could affect the Issuer's profitability. The risks can be exacerbated by operational factors such as an over-reliance on a particular source of funding and systemic factors such as market dislocation, regulatory change or major disasters. The Issuer expects to have sufficient liquidity to meet its requirements even in a market-wide stress scenario but under extreme and remote circumstances, a prolonged and severe restriction on its access to liquidity (including government and central bank funding and liquidity support) could affect its ability to meet its financial obligations as they fall due, to meet its regulatory minimum liquidity requirements and to fulfil its commitments to lend. In such circumstances, the Issuer may not be in a position to operate without additional funding support and inability to access such support could have a material adverse effect on its solvency. See also the risk factor entitled "Enhanced capital

and liquidity requirements applicable to banks are likely to increase the amount of capital and liquid assets that the Issuer is required to hold”

The Issuer’s borrowing costs and access to funding could also be affected by regulatory developments such as the CRR and CRDIV Directive, the UK Government’s response to the proposals of the Independent Commission on Banking and developments relating to special resolution powers under the Banking Act 2009 and the proposed Crisis Management Directive, particularly as the prospects of bail-in scenarios become more likely. Unfavourable developments affecting the Issuer’s borrowing costs and access to funding could have a material adverse effect on the Issuer’s results of operations, financial condition or prospects. See also the risk factors entitled “*Legal and regulatory risks – The exercise of regulatory powers under the Crisis Management Directive could have a material adverse effect on the Issuer’s financial position or the position of the Noteholders, since the application of any such powers may affect the rights and effective remedies of the Noteholders and the market value of the Notes*” and “*Legal and regulatory risks – Implementation of banking reform proposals could have a material adverse effect on the Issuer’s financial position or prospects or the position of the Noteholders*”.

In line with other UK banks and building societies, the Issuer has availed itself of certain measures made available by the UK Government and the Bank of England in recent years, including the Funding for Lending Scheme (the “FLS”). Under the FLS, liquidity is provided to banks and building societies for an extended period, at below current market rates, with both the price and quantity of liquidity being linked to the relevant financial institution’s lending to the UK retail and SME sectors. There can be no assurance that the large number of UK banks and building societies seeking to refinance FLS obligations in the same period will not have a material adverse impact on the Issuer’s ability to obtain liquidity or on its cost of funding.

In addition, the FLS is a collateralised scheme, meaning that the Issuer pledges eligible assets, including certain of its personal loans and securitised notes backed by certain of its credit card receivables, as collateral for borrowings of UK Treasury Bills. In the event of insolvency, pledged assets will typically not form part of the property available for distribution to the general creditors of the Issuer and accordingly, may not be available to meet the claims of unsecured creditors including Noteholders.

*The Issuer is subject to the risk of having insufficient capital resources.*

A perceived or actual capital shortfall could result in actions or sanctions, which could have a material adverse effect on the Issuer’s results of operations, financial condition or prospects. The circumstances which could result in a capital shortfall include (a) a depletion of capital resources through increased costs or liabilities incurred as a result of the crystallisation of any of the risk factors described in this section and (b) an increased demand for capital, including as a result of regulatory change or market expectations. See also the risk factor entitled “*Enhanced capital and liquidity requirements applicable to banks are likely to increase the amount of capital and liquid assets that the Issuer is required to hold*”.

*The Issuer’s business is subject to inherent risks concerning market fluctuations.*

The Issuer’s business is subject to inherent risks concerning market fluctuations including changes in, and increased volatility of, interest rates, inflation rates, credit spreads, foreign exchange rates, bond and real estate prices and the risk that its customers and counterparties act in a manner which is inconsistent with business, pricing and hedging assumptions. For example, changes in interest rate levels, interbank margins over official rates, yield curves and spreads affect the interest rate margin realised between lending and borrowing costs. In addition, the investment portfolio of the Issuer’s insurance associate company, Tesco Underwriting Limited, is subject to credit and market risk.

*The Issuer is exposed to insurance risk through its associate company, Tesco Underwriting Limited.*

The Issuer is exposed to insurance risk through its associate company, Tesco Underwriting Limited, which is jointly owned with Ageas (UK) Limited. Insurance risk is the risk of fluctuations in the timing, frequency or severity of insured events relative to the expectations at the time of underwriting. For example, extreme weather conditions can result in high property damage claims and higher levels of theft can increase claims on home insurance. Actual claims may differ from business assumptions and/or exceed reserves. In addition, it may not be possible to purchase reinsurance on satisfactory terms. Negative developments in respect of any of these factors could have a material adverse effect on the Issuer’s results of operations, financial condition or prospects.

The Issuer is also exposed to the insurance cycle through its distribution arrangements with underwriters. Periods of increased competition and/or falling rates may have a material adverse effect on the Issuer's results of operations, financial condition or prospects.

*The Issuer's businesses are subject to substantial regulation, regulatory and governmental oversight, and various forms of regulatory and legal risk.*

The Issuer's businesses are subject to substantial regulation, and regulatory and governmental oversight. The associated regulatory risks include the effects of changes in the law, regulations, codes of practice, policies and interpretations in the UK and the other countries where the Issuer operates. In the current regulatory and market environment, there have been unprecedented levels of government intervention (including nationalisations and injections of capital), changes to regulations and reviews of the financial services industry, in the UK and the EU. The UK Government, the PRA, the FCA and other regulators in the UK, the European Union or overseas may intervene further in relation to areas of industry risk already identified or in new areas, which could affect the Issuer. In addition, the details, impact and timing of the implementation of certain existing regulatory reforms remains uncertain. The nature of the risks the Issuer faces and the manner and extent to which they ultimately will impact the Issuer is impossible to predict but these factors could result in additional costs or limit or restrict the way that the Issuer conducts business and may have a material adverse effect on its results of operations, financial condition or prospects. See also the risk factors included under the heading "*Legal and regulatory risks*" below.

The Issuer is also exposed to various forms of regulatory and legal risk in its activities including (a) that certain aspects of its business may be determined by the relevant authorities, the Financial Ombudsman Service or the courts not to have been conducted in accordance with applicable laws or regulations (or in the case of the Financial Ombudsman Service, with what is fair and reasonable in the Ombudsman's opinion), (b) the possibility of alleged mis-selling of financial products or mishandling of complaints related to the sale of such products by or attributed to the Issuer, (c) that contractual obligations (including, without limitation, customers' obligations to pay principal and interest in respect of amounts they have borrowed) may not be enforceable as intended or may be enforced against the Issuer in an unfavourable way and (d) the risk of regulatory proceedings and private litigation, arising out of regulatory investigations or otherwise. There remains significant regulatory focus in relation to conduct risk, with continued industry-wide focus on provision for customer redress. The manner and extent to which the foregoing could impact the Issuer is difficult to predict and such matters are subject to many uncertainties but these risks could have a material adverse effect on the Issuer, financially and reputationally. See also the risk factor entitled "*The Issuer's banking businesses are subject to regulatory requirements, which are subject to change*".

*The Issuer's business is subject to inherent operational risks.*

Operational risks, including the risk of fraud and other criminal acts carried out against the Issuer, are inherent in the Issuer's business. As the Issuer's business grows in size and complexity, and in particular as the Issuer enters new markets, operational risk increases. In addition, the Issuer initially utilised the business systems and infrastructure of The Royal Bank of Scotland plc, its former joint venture partner, for a significant portion of its products and services, completing the migration to its own operational platforms in May 2012.

Operational risk and losses can result from external and internal fraud, failures or inadequacies in systems or processes, failure to comply with regulatory requirements and conduct of business rules, errors by employees, natural disasters or the failure of external systems, for example, those of the Issuer's suppliers or counterparties. The Issuer has implemented a robust risk management framework which seeks to maintain residual risk exposures within defined risk appetite thresholds, and substantial resources are devoted to developing efficient procedures, including the identification and rectification of weaknesses. However, it is not possible to implement procedures which fully control each of the operational risks noted above.

The Issuer's business is dependent on processing and reporting accurately and efficiently a high volume of transactions across a range of products and services. Any weakness in such systems or processes could have a material adverse effect on the Issuer's results of operations or the reporting of such results. In particular, failure to deliver and maintain effective IT solutions could have a material adverse impact on customer service and the Issuer's reputation, and any breach in the security of its systems, for example from attacks by cybercrime groups, could disrupt the Issuer's business, adversely affect its reputation and result in financial and legal exposure.

Whilst the Issuer recognises that effective IT systems are integral to the successful operation of its business and has controls in place to maintain the integrity and efficiency of its IT infrastructure, it is not possible to implement procedures which are fully effective in controlling the foregoing operational risks.

The Issuer also outsources a significant number of services and processes to third party service providers and a key operational risk is that any failure of an outsourced service provider could have a material adverse effect on the Issuer's reputation, results of operations, financial condition or prospects. The Issuer has controls in place to oversee the integrity and efficiency of third party service providers but there can be no assurance that such failures will not occur.

Terrorist acts, other acts of war or hostility and geopolitical, pandemic or other such events may result in economic and political uncertainties which could have a material adverse effect on UK and international economic conditions and more specifically on the Issuer's results of operations, financial condition or prospects. In addition, an incident incapacitating the Issuer's management or systems could impact on the Issuer's ability to carry on its business.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List or as a firm regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

*The Issuer's business is conducted in highly competitive markets and its financial performance depends on management's ability to respond effectively to competitive pressures and technological developments.*

The markets for United Kingdom retail financial services are highly competitive, and management expects such competition to intensify in response to competitor behaviour, consumer demand, technological change, the impact of consolidation, regulatory action and other factors. The Issuer's financial performance and its ability to maintain or improve its market position depends significantly upon management's response to competitive pressures and to market developments such as technological change. For example, competition for retail savings may increase the Issuer's funding costs in circumstances where competitive pressures in lending markets mean those costs cannot be recovered from borrowers. The Issuer's performance could also be affected by competitors deliberately stepping back from a market at sensitive times for the Issuer such as product launches or known system changes. Moreover, UK Government and/or European intervention in the banking sector may impact the competitive position of the Issuer relative to its international competitors, which may be subject to different forms of government intervention, thus potentially putting the Issuer at a competitive disadvantage. Any of the foregoing factors could have a material adverse effect on the Issuer's results of operations, financial condition or prospects.

*The Issuer's business is subject to inherent reputational risk, including in respect of the Tesco Group.*

Failure to protect the Issuer's reputation, or damage to the reputation of the Tesco Group, could lead to a loss of trust and confidence in the Issuer. Reputational issues include, but are not limited to, customer service issues, legal and regulatory requirements, ethical issues, privacy issues, sales and trading practices and general company performance. A loss of trust or confidence in the Issuer could result in a decline in the customer base, notably the withdrawal of savings, and could have a material adverse effect on the Issuer's results of operations, financial condition and prospects. In addition, the Issuer faces both financial and reputational risk where legal or regulatory proceedings, or complaints before the Financial Ombudsman Service or other complaints, are brought against it or members of its industry. See also "*The Issuer's businesses are subject to substantial regulation, regulatory and governmental oversight, and various forms of regulatory and legal risk*".

In addition, the modification or withdrawal of the "Clubcard" reward points incentive scheme operated by Tesco, or a change in how it is perceived relative to other such schemes, may have a detrimental impact on the Issuer's ability to attract new customers and retain existing customers.

*The Issuer is subject to the risk that it fails to attract and retain the right people.*

The Issuer recognises that attracting, retaining, developing and motivating people with the right capabilities at all levels of operations is critical to its success. Whilst it considers its people policies regularly and is committed to investing in training, development and incentives for its people, achieving this aim cannot be guaranteed, particularly in light of ongoing regulatory and public interest in the financial services industry. Economic conditions and negative media attention on the financial services industry may also adversely impact employee retention, sentiment and engagement. If the Issuer failed to attract and retain people with the right capabilities at

all levels of its operations, it could have a material adverse effect on its results of operations, financial condition or prospects.

*The Issuer's liability for contributions to the Tesco Pension Scheme (the Scheme), could have a material adverse effect on its financial position.*

The Issuer is a participating employer in the Scheme, which is a defined benefit pension arrangement sponsored by companies in the Tesco Group. The Tesco Group regards such pension arrangements as an important part of its employees' overall benefits package especially in the United Kingdom and sees them as a strong contributor to its ability to attract and retain good people. However, defined benefit pension scheme arrangements expose the sponsor companies to pension risk, which is the risk that the value of a scheme's assets, returns from those assets and any additional future contributions to the scheme may be less than expected and/or that there may be greater than expected increases in the estimated value of the scheme's liabilities, which vary with changes to long-term interest rates, inflation, pensionable salaries and the longevity of scheme members as well as changes in applicable legislation. The Tesco Group has considered its pension risks and has taken action by increasing contributions and by reducing risk appetite in its investment strategy. It has also established an in-house investment capability, Tesco Pension Investment Limited, which has been approved by the FCA.

As a participating employer in the Scheme, the Issuer shares responsibility for funding the Scheme with the other participating employers. If the Issuer withdrew from the Scheme or the Scheme were wound up, it may be required by section 75 of the Pensions Act 1995 to make a payment to the Scheme in respect of any funding shortfall at that time. The Pensions Regulator could also, in certain circumstances, if he considered it reasonable, require the Issuer to provide financial support if the other employers were unable to meet their obligations to the Scheme. There can therefore be no certainty as to the Issuer's liability for contributions to the Scheme and any such liability could have a material adverse effect on the Issuer's financial position.

*The Issuer's financial statements are based in part on assumptions and estimates which, if wrong, could cause losses in the future. The Issuer is subject to risks associated with changes to accounting standards, rules and interpretations.*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the Issuer's results and financial position, based upon materiality and significant judgements and estimates are discussed in Note 1 to the audited financial statements for the 12 months ended 28th February, 2013 and Note 1 to the unaudited interim financial statements for the six months ended 31st August, 2013.

If the judgements, estimates and assumptions used by the Issuer in preparing its consolidated financial statements are subsequently found to be inappropriate, there could be a material adverse impact on the Issuer's results of operations, financial condition or prospects and a corresponding impact on its funding requirements and capital ratios.

New or revised accounting standards, rules and interpretations issued from time to time by the International Accounting Standards Board could result in changes to the reported amounts of assets, liabilities, income and expenses that may have a material adverse effect on the Issuer's results of operations, financial condition or prospects.

*The Issuer is exposed to political risk.*

The Issuer is incorporated in Scotland. The Scottish Government intends to hold a referendum in 2014 on the issue of Scottish independence from the UK. Although the outcome of such referendum is uncertain, Scottish independence could affect Scotland's status in the EU and significantly impact the fiscal, monetary and regulatory environment applicable to Scottish companies. In addition, the UK Government has announced the possibility of a referendum on the UK's membership of the EU, which could take place after 2015. It is not possible to predict the manner and extent to which these factors may affect the Issuer but if Scottish independence or a referendum on the UK's EU membership were to occur, it could have a material adverse effect on the Issuer's results of operations, financial condition or prospects.

*The Issuer is exposed to risks associated with changes in taxation rates or applicable tax laws and the interpretation of such tax laws.*

Tax risk is the risk associated with changes in taxation rates or applicable tax laws, or misinterpretation of such tax laws. This could result in increased charges, financial loss including penalties and reputational damage. Failure to manage these risks adequately could have a material adverse effect on the Issuer's results of operations, financial condition or prospects.

### ***Legal and regulatory risks***

#### *General*

The Issuer is subject to significant legislative and regulatory oversight. In particular, it is subject to supervision by the PRA and the Financial Conduct Authority (**FCA**), which have substantial powers of intervention over the Issuer and its business. The Issuer is required to satisfy a range of legislative and regulatory requirements, including certain capital adequacy requirements and liquidity ratios. If the Issuer is unable or fails to satisfy these requirements or ratios in the future, it could lose its licence and, consequently, its ability to transact business. Furthermore as described below, under the Banking Act 2009, the Treasury has wide powers to make certain orders, including with retrospective effect, in respect of an authorised deposit-taking institution such as the Issuer. The orders may include transfers of property, rights and liabilities and other orders that could adversely affect the Issuer's assets and liabilities.

In the United Kingdom and elsewhere, there is increased political and regulatory scrutiny of the banking industry and, in particular, retail banking. The United Kingdom Government, the PRA, the FCA and other regulators in the United Kingdom or the EU may intervene further in relation to areas of industry risk already identified, or in new areas, which could adversely affect the Issuer. Future changes in regulation, fiscal or other policies are unpredictable and beyond the control of the Issuer and could materially adversely impact the Issuer's business.

Areas where changes could have an adverse impact include, but are not limited to:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy, or changes in regulatory regimes that may change the structure of the markets in which the Issuer operates and the products offered or may increase the costs of doing business in those markets;
- changes to prudential regulatory rules relating to capital adequacy and liquidity frameworks;
- external bodies applying or interpreting standards or laws differently to those applied by the Issuer historically;
- changes in competition and pricing environments;
- further developments in requirements relating to financial reporting, corporate governance, conduct of business and employee compensation;
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which, in turn, may affect demand for the Issuer's products and services or otherwise have a material adverse effect on the Issuer's results of operations, financial condition or prospects.

Increased regulatory intervention may lead to requests from regulators to carry out wide ranging reviews of past sales and/or sales practices. Regulatory reviews and investigations may result in enforcement actions and public sanction, which could expose the Issuer to an increased risk of litigation in addition to financial penalties and/or the deployment of such regulatory tools as the relevant regulator deems appropriate in the circumstances. There is continued regulatory focus in relation to conduct risk, including requiring redress programmes where issues are found, as has been the case with historic sales of payment protection insurance for personal loans and, more recently, credit cards. Of the Issuer's total provision balance at 31st August, 2013, £34.6 million relates to a provision for customer redress in respect of potential complaints arising from historic sales of payment protection insurance and £24.8 million relates to a provision for customer redress in respect of potential complaints arising

from historic sales of certain products to credit card customers. It should be noted, however, that a number of significant uncertainties exist in relation to the eventual level of redress costs the Issuer might incur.

The Financial Services Act 2012 (the **FS Act 2012**) was made on 23 January 2013 and implemented certain reforms to the regulatory system in the United Kingdom. Under the new system the Bank of England is responsible for macro-prudential oversight of the financial system, the PRA for prudential supervision of banks and other systemically important firms (including the Issuer) and the FCA is responsible for supervising all firms' compliance with conduct of business requirements. The formal transition of regulatory and supervisory powers from the FSA to the FCA and the PRA occurred in April 2013. The FS Act 2012 introduced a number of new powers, including product intervention powers and the power to render unenforceable contracts made in contravention of such powers. The FS Act 2012 formalised cooperation between the FCA and the Financial Ombudsman Service, particularly where issues identified potentially have wider implications. The FS Act 2012 enables the transfer of responsibility for the regulation of consumer credit from the OFT to the FCA.

*The exercise of regulatory powers under the Banking Act 2009 could have a material adverse effect on the Issuer's financial position or the position of the Noteholders, since the application of any such powers may affect the rights and effective remedies of the Noteholders and the market value of the Notes.*

Under the Banking Act 2009 (the **2009 Act**), actions may be taken by the United Kingdom Treasury (the **Treasury**), the Bank of England and the PRA pursuant to the special resolution regime (the **SRR**), in order to address a situation where all or part of the business of a United Kingdom institution with permission to accept deposits under the FSMA (a **UK Bank**) (such as the Issuer) has encountered, or is likely to encounter, financial difficulties. The 2009 Act gives the Treasury certain wide powers to support the implementation of the stabilisation measures contemplated by the 2009 Act.

The SRR consists of three stabilisation options: (i) transfer of all or part of the business of the relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a "bridge bank" wholly owned by the Bank of England; and (iii) temporary public ownership of the relevant entity. HM Treasury may also take a parent company of a relevant entity into temporary public ownership where certain conditions are met. Pursuant to the FS Act 2012, the powers mentioned in (i) and (ii) are extended to the parent company of a relevant entity provided that certain conditions are met. Whilst these provisions have yet to be implemented, the Government has indicated that it intends to limit the use of these powers to financial groups, being a group where the business of the holding company, or its subsidiaries, is primarily financial services. The Government has said that it also only intends for this power to be used over group companies within the lowest level of the group.

If a deposit-taking institution or its parent undertaking is taken into temporary public ownership, HM Treasury may take various actions in relation to any securities issued by it without the consent of the holders thereof, including (among other things):

- transferring securities free from any restrictions on transfer and free from any trust, liability or encumbrance;
- delisting the securities;
- converting securities into another form or class; or
- prescribing that the transfer of securities takes place free from any trust.

Accordingly, the taking of any such actions could adversely affect the rights of Noteholders, the price or value of their investment, and the ability of the Issuer to satisfy its obligations under the Notes.

Where the stabilisation powers are exercised, HM Treasury must make statutory provision for a scheme or other arrangements for determining the compensation, if any, due to those affected by an exercise of the powers. However, there can be no assurance that Noteholders would thereby recover compensation promptly and equal to any loss actually incurred.

In certain circumstances encumbrances and trusts can be over-reached or varied. Power also exists to over-ride any default provisions in transactions otherwise affected by these powers.

The 2009 Act vests power in the Bank of England to over-ride, vary or impose contractual obligations between a UK Bank or its holding company and its former group undertakings (as defined in the 2009 Act), for reasonable consideration, in order to enable any transferee or successor bank of a UK Bank, or its holding company, to

operate effectively. There is also power for the Treasury to amend the law (save for a provision made by or under the 2009 Act) by order for the purpose of enabling the special resolution regime powers to be used effectively, potentially with retrospective effect.

The 2009 Act includes provisions relating to two insolvency procedures which may be commenced by specified United Kingdom authorities (bank insolvency and bank administration).

On 1st October, 2013 the UK Government proposed certain amendments to the Financial Services (Banking Reform) Bill (discussed further below), including the introduction of a new bail-in resolution tool. If enacted, this tool will give the UK resolution authorities the ability to impose losses on a failing bank's shareholders and certain creditors.

Exercise of powers under the 2009 Act, including if enacted the resolution bail-in tool, might have a material adverse effect on all or part of the Issuer's business and/or the Notes.

*Enhanced capital and liquidity requirements applicable to banks are likely to increase the amount of capital and liquid assets that the Issuer is required to hold*

The Basel Committee on Banking Supervision put forward proposals for a reform package which makes significant changes to the regulatory capital requirements and liquidity standards applicable to banks, including enhancing the quality and quantity of capital, strengthening capital requirements for counterparty credit risk, introducing a leverage ratio, introducing new capital buffers and implementing an enhanced liquidity regime which will require banks to hold a greater quantity of higher quality liquid assets as a buffer against liquidity stresses. In the EU, these proposals have been implemented through changes to the Capital Requirements Directive in the form of (i) a regulation known as the "CRR"; and (ii) a directive known as the "CRD IV Directive". The final texts of the CRR and the CRD IV Directive were published in the Official Journal of the EU on 27th June, 2013. With the exception of certain provisions, the CRR will apply from 1st January, 2014 and the CRD IV Directive must be transposed by each Member State of the European Union (each a **Member State**) and applied from 31st December, 2013. The new requirements will be implemented on a phased basis from 2013 to 2019. The increased capital and liquidity requirements under the CRR and CRD IV Directive are likely to increase the amount of capital and liquid assets that the Issuer is required to hold.

Solvency II, a fundamental review of the capital adequacy regime of the European insurance industry, aims to establish a set of EU-wide capital requirements where the required regulatory capital will depend on the risk profile of the entities, together with risk management standards, that will replace the Solvency I requirements. Solvency II is still in development, but there is a risk that the final regime could increase the amount of regulatory capital which the Issuer's associate company, Tesco Underwriting Limited, is required to hold.

*The exercise of regulatory powers under the Crisis Management Directive could have a material adverse effect on the Issuer's financial position or prospects or the position of the Noteholders, since the application of any such powers may affect the rights and effective remedies of the Noteholders and the market value of the Notes.*

On 6th June, 2012, the European Commission proposed a new Directive on a comprehensive framework for the recovery and resolution of credit institutions (which would include the Issuer) and investment firms (the **Crisis Management Directive**). The proposals under the Crisis Management Directive include the requirement for an institution to draw up a recovery plan, which sets out (amongst other things), the measures the institution will take to restore itself to financial viability in certain circumstances. Furthermore the institution will be required to prepare a detailed resolution pack which will need to be provided to regulators in order to enable them to draw up a resolution plan for the institution (both at a group and individual entity level). The recovery and resolution plans will need to be updated on an annual basis. The Crisis Management Directive also includes proposals giving regulators wide powers to intervene when an institution is not meeting, or is unlikely to meet, prudential requirements, including by appointing a special manager to take over management of the institution as well as a number of resolution powers which can be used by regulators to resolve the failing institution. The proposed powers are similar to the powers granted to the UK authorities under the 2009 Act as set out above, including the power to nationalise bank holding companies. However, they go beyond such current powers notably by giving the authorities the power to write down the debt of a failing bank (or to convert such debt into equity) to strengthen its financial position and allow it to continue as a going concern subject to appropriate restructuring. See the section below for information on the United Kingdom government's proposals in relation to the introduction of a statutory "bail-in" tool. It is currently unclear whether measures ultimately adopted in this area

will apply retrospectively to any debt currently in issue, such as the Notes. It is possible that under the Crisis Management Directive or any other future similar proposals, any new resolution powers given to the Bank of England or another relevant authority could therefore be used in such a way as to result in the debt instruments of the Issuer absorbing losses or otherwise affecting the rights of the Noteholders in the course of a resolution of the Issuer.

It is at this stage uncertain when the Crisis Management Directive will be adopted and the form the final text will take. Exercise of the powers under the Crisis Management Directive could have a material adverse effect on the Issuer's financial position or prospects or the position of the Noteholders, since the application of any such powers may affect the rights and effective remedies of the Noteholders and the market value of the Notes.

*Implementation of banking reform proposals could have a material adverse effect on the Issuer's financial position or prospects or the position of the Noteholders.*

On 14th June, 2012, the United Kingdom government published a white paper on banking reform closely based on the recommendations of the Independent Commission on Banking. The Government has now brought forward primary legislation, the Financial Services (Banking Reform) Bill (the **Bill**) which implements a number of these recommendations, including requiring UK banking groups that include retail banks to make major structural changes to separate out their retail banking business from investment banking business and related activities. The Bill envisages the establishment of a retail banking "ring-fence" and increasing banks' capacity to absorb losses by requiring additional capital to be held by domestic systemically important banks which can be "bailed-in" if the bank fails. In addition, the UK Government has proposed further amendments to the Bill, which includes the introduction of a resolution bail in tool (applicable to all banks) which will give the authorities the power to write-down certain liabilities of the bank (such as the Notes) in a resolution and cancel the bank's issued share capital. It is at this stage uncertain what impact these requirements will have on the Issuer's results of operations, financial position or prospects.

It is intended that the Bill will amend the Insolvency Act 1986 so as to implement the recommendation of the Independent Commission on Banking to introduce depositor preference by 2019. This means that certain depositors will rank ahead of the claims of other unsecured creditors (including Noteholders) in an insolvency situation. The effect that this will have on the Issuer's business and/or the Notes remains uncertain.

The Bill is currently passing through the UK Parliament and it is intended that it will receive Royal Assent in February 2014 and for banks to comply with the measures by 2019. The Bill contains very little detail on separation, with implementation to be left almost entirely to secondary legislation. The UK Government recently published a consultation paper setting out the proposed secondary legislation which provides, amongst other things, that the requirement to separate retail banking business from investment banking business will not apply to UK banks holding less than £25 billion in core deposits. It is, therefore, unlikely that the "ring-fencing" requirements will apply to the Issuer. Nevertheless, it is unclear at this stage how the proposals will be finally implemented and as a result it is unclear what the impact will be of these proposals on the Issuer's financial position or prospects.

The UK Government is also seeking to improve competition in the banking sector and a new current account redirection service to enhance the process for individuals and small businesses to switch their bank account to a new provider has been implemented. See further the section entitled "*Tesco Personal Finance PLC – Competition*" on page 103 of this Offering Circular.

*The Issuer is subject to levies imposed by the Financial Services Compensation Scheme (the **FSCS**). The total future cost of such levies remains uncertain and may, if significant, have a material adverse effect on the Issuer's results of operations and financial condition*

In the United Kingdom, the FSCS is the United Kingdom's statutory fund of last resort for customers of authorised financial services firms. The FSCS can pay compensation to customers if a firm is unable, or likely to be unable, to pay claims against it. The FSCS is funded by levies on firms authorised by the FCA and PRA, including the Issuer. As at 31st August, 2013, the Issuer had accrued £2.1m in respect of its current obligation to meet expenses levies, based on indicative costs published by the FSCS. The ultimate cost to the industry, which will also include the cost of any compensation payments made by the FSCS and, if necessary, the cost of meeting any shortfall after recoveries on the borrowings entered into by the FSCS, remains uncertain although it may be

significant and the associated costs to the Issuer may have a material adverse effect on its results of operations, financial condition or prospects.

Potential changes to the FSCS arrangements with the potential to require the Issuer to incur additional costs or expose the Issuer to risks may arise from ongoing discussions at the national and European Union levels around the future design of deposit protection schemes, including but not limited to potentially increasing the level of protection which is accorded to deposits and/or moving to pre-funding of compensation schemes. In March 2013, final rules were published on elements of the funding model of the FSCS and key changes reflected in these rules include: (i) revised annual thresholds for the FSCS funding classes; (ii) separate approaches for funding compensation costs in excess of FSCS annual class thresholds in respect of PRA and FCA funding classes; and (iii) the introduction of the FCA retail pool.

*It is unclear how proposals under a report of the Parliamentary Commission on Banking Standards will be finally implemented and as a result it is unclear what the impact will be of these proposals on the Issuer's business*

The Parliamentary Commission on Banking Standards (**PCBS**) published its final report 'Changing banking for good' on 19th June, 2013. The UK Government published its formal response on 8th July, 2013. It accepted all of the PCBS's principal recommendations and has said that, where possible, changes will be incorporated into the Financial Services (Banking Reform) Bill. On 7th October, 2013, the Bank of England and the FCA published their responses, outlining how they would implement certain of the proposals. The PCBS's final report contained over one hundred recommendations including introducing a new regime for regulating banks' senior management, imposing criminal sanctions on senior management for severe failings, the deferral of bonuses for up to ten years and enhancing the governance arrangements within banks. It is unclear at this stage how the proposals will be finally implemented and as a result it is unclear what the impact will be of these proposals on the Issuer's business.

*The risk-mitigation and clearing obligations under EMIR in relation to the Issuer's derivatives trades are likely to increase the Issuer's costs in respect of its derivative transactions.*

EMIR (EU Regulation No. 648/2012 on OTC derivatives, central counterparties and trade repositories) imposes a range of obligations on entities within the European Union which enter into derivatives contracts. The requirements are being phased in and as the Issuer enters into derivatives transactions to hedge certain risks, the Issuer may have certain risk-mitigation and clearing obligations in respect of these transactions. This is likely to increase the Issuer's costs in respect of its derivatives transactions.

*The proposed interchange regulations published by the European Commission would cap interchange fees on credit cards and debit cards.*

The European Commission published a draft of the new Multilateral Interchange Fees Regulation and revised version of the Payment Services Directive on 24th July, 2013 that would impose a cap on interchange fees for consumer credit cards and consumer debit cards. Although it is unclear at this stage how the proposals will be finally implemented, credit cards represent a significant part of the Issuer's business so any limitation on interchange fees may have a material adverse effect on the Issuer's results of operations, financial position or prospects.

*The Issuer's banking businesses are subject to regulatory requirements, which are subject to change*

The Consumer Credit Act 1974 (as amended) (the **CCA**) imposes regulation on certain types of contract relating to unsecured and secured consumer credit and provides significant protection for those consumers borrowing money. It prescribes the circumstances in which a regulated agreement is deemed to be properly executed and if such requirements are not complied with, the regulated agreement may be unenforceable. The CCA also sets out certain information requirements applicable to post-contract communications such as statements and arrears notices. If such requirements are not met, interest may not be recoverable for any period of non-compliance and customers may be entitled to refunds of any interest which was incorrectly charged.

There is therefore a risk that if the Issuer does not comply with applicable regulatory requirements, credit which has been extended to borrowers may be unenforceable, interest may have to be refunded and/or borrowers may be entitled or seek to exercise rights of set-off (or analogous rights in Scotland) against amounts owing under their loans or claim damages against the Issuer for breach of a regulatory rule. The Issuer is undertaking a review of its documentation and processes and has identified a number of areas which require further enquiry. Separately, on 1st November, 2013, the OFT wrote to the Issuer as part of a wider review of banks' and building societies' compliance with the CCA's requirements in respect of post-contract information, asking firms to either confirm that they discharge their obligation to provide fully compliant post-contract information or to confirm proposed steps or remedial action to address any non-compliance. There is no certainty as to the outcome of either process but the Issuer may incur costs in respect of matters requiring remediation which may have an adverse impact on its business or profitability. See also the risk factor entitled "*The Issuer's businesses are subject to substantial regulation, regulatory and governmental oversight, and various forms of regulatory and legal risk*".

Although the OFT is currently responsible for consumer credit licensing in the UK, the regulation of consumer credit is to be transferred from the OFT to the FCA. It is expected that such transfer will take effect on 1st April, 2014 and that there will be greater regulatory scrutiny following transfer of consumer credit regulation from the OFT to the FCA. It is not certain at this stage what impact this will have on the Issuer's lending businesses.

The Unfair Terms in Consumer Contracts Regulations 1999 (the **UTCCRs**) apply to certain terms in contracts with a consumer that are not individually negotiated and impose a test of fairness. If a term is unfair under the UTCCRs, then it is not binding on the consumer. There is therefore a risk that certain terms in contracts that the Issuer has with consumers may be unfair and unenforceable. The UTCCRs apply to both secured and unsecured credit.

The Consumer Credit (Disclosure of Information) Regulations 2004 and the Financial Services (Distance Marketing) Regulations 2004 apply to certain consumer contracts (including secured and unsecured credit) and require, amongst other things, that certain information is provided to consumers before they enter into a contract.

The entering into and administration of residential mortgages is subject to regulation by the FCA (and, should the Issuer enter into second charge mortgages, by the OFT pursuant to the CCA (see above)). Mortgage regulation has been, and continues to be, subject to increased regulatory scrutiny, including in respect of arrears and repossession and mortgage lenders are required to comply with a number of legal and regulatory rules and requirements prior to enforcing a mortgage. The FSA undertook a comprehensive review of the mortgage market pursuant to its Mortgage Market Review, and published a number of new rules and proposals, some of which have been implemented whereas others remain to be finalised. These include requirements in respect of responsible lending and distribution of mortgage products and disclosure to borrowers as well as new rules for approved persons carrying out mortgage lending activities. On 10th September, 2013, the European Parliament provisionally approved a directive on mortgage credit, which requires (among other things): standard information in advertising; standard pre-contractual information; adequate explanations to the borrower on the proposed credit agreement and any ancillary service; calculation of the annual percentage rate of charge in accordance with a prescribed formula; assessment of creditworthiness of the borrower; and a right of the borrower to make early repayment of the credit agreement. At this stage it is not clear what impact such requirements and developments will have on the Issuer's mortgage business.

The UK Government announced in October 2011 the establishment of a simple products steering group to consider the concept of simple financial products, the process of agreeing upon final product specification and design, branding and marketing of simple products and the approval procedures for such products. The steering group published its final report in March 2013 in which it made a number of recommendations including for straightforward, standardised and consistent language to be used across all literature for certain "simple" financial products and for a pricing and return structure which is easily understood by the consumer and allows products to be compared with one another. It is proposed that four types of simple financial products be launched initially: an easy access savings account, a 30 day notice savings account, a regular savings account and fixed term life cover. At this stage, it is unclear what the impact, if any, that such recommendations and proposals will have on the Issuer's business.

## FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

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

#### ***General***

If an investor chooses to sell its Notes issued under the Programme in the open market at any time prior to the maturity of the Notes, the price the investor will receive from a purchaser may be less than its original investment, and may be less than the amount due to be repaid at the maturity of the Notes if an investor were to hold onto the Notes until that time. Factors that will influence the price received by investors who choose to sell their Notes in the open market may include, but are not limited to, market appetite, inflation, the period of time remaining to maturity of the Notes, prevailing interest rates and the financial position of the Issuer. In addition, inflation may reduce the real value of the Notes over time which may affect what investors can buy with their investments in the future (including on the maturity of the Notes).

#### ***Investors are relying solely on the creditworthiness of the Issuer***

The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain debts preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer. Each investor in the Notes is relying on the creditworthiness of the Issuer, and no other person. If the Issuer goes out of business or becomes insolvent, Noteholders may lose some or, in the worst case scenario, all of their investment in the Notes.

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

Unlike a bank deposit, the Notes are not protected by the FSCS. As a result, the FSCS will not pay compensation to an investor in the Notes upon the failure of the Issuer.

#### ***The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders***

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority, and accordingly Noteholders may find themselves becoming bound by any such majority decision.

Investors should also note that the Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the conditions of the Notes or any of the provisions of the Trust Deed or (ii) determine that any condition, event or act which, but for such determination, would constitute an Event of Default, shall not be treated as such or (iii) agree to the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 17 of the Terms and Conditions of the Notes.

#### ***The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes.***

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

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Directive**), each Member State is required to provide to the tax authorities of any other Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for the benefit of, or collected by such person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such

transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1st January, 2015, in favour of automatic information exchange under the Directive.

The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive. However, 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, investors should note that neither the Issuer nor any Paying Agent (as defined in the Terms and Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. At a meeting on 22nd May, 2013, the European Council called for the adoption of an amended Directive before the end of 2013.

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

Whilst the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 or regulations and other authoritative guidance thereunder (**FATCA**) will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding and the relevant Notes are treated, for U.S. federal tax purposes, either as equity instruments or as issued after the later of (i) 1 July 2014 or (ii) the date that is six months after the publication of final regulations defining the term "foreign passthru payments" for the purposes of FATCA. FATCA may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the common depositary or common safekeeper for the clearing systems (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the clearing systems and custodians or intermediaries.

*Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

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

*The value of the Notes could be adversely affected by a change in English law or administrative practice*

The Terms and Conditions of the Notes are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or regulation or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

*No obligations arising out of or in connection with Notes issued under the Programme are supported by or have been assumed by Tesco or any other member of the Tesco Group*

All obligations arising out of or in connection with Notes issued under the Programme shall be the sole responsibility of the Issuer. No obligations arising out of or in connection with Notes issued under the Programme are supported by or have been assumed by Tesco or any other member of the Tesco Group.

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

*An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. There is no guarantee of what the market price for selling or buying the Notes will be at any time. If prevailing market conditions reduce market interest in the Notes, the availability of a market price may be impaired. Moreover, notwithstanding in the case of Notes issued under the programme to be traded on the London Stock Exchange's electric order book for retail bonds (**ORB**) the presence of at least one market maker for the Notes, if trading activity levels are low, this may severely and adversely impact the price that an investor would receive if it wishes to sell its Notes.

*If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes*

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

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

*Credit ratings assigned to the Issuer or any Notes may not reflect the risks associated with an investment in those Notes*

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit

rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to certain exceptions. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to ratings will be disclosed in the Final Terms.

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

*Fixed Rate Notes bear interest at a fixed rate, which may affect the secondary market value and/or the real value of the Notes over time due to fluctuations in market interest rates and the effects of inflation*

Fixed Rate Notes bear interest at a fixed rate. Investors should note that (i) if interest rates start to rise then the income to be paid by the Notes might become less attractive and the price the investors get if they sell such Notes could fall and (ii) inflation will reduce the real value of the Notes over time and may make the fixed interest rate on the Notes less attractive in the future. However, the market price of the Notes has no effect on the interest amounts due on the Notes or what investors will be due to be repaid on the Maturity Date if the Notes are held by the investors until they mature.

*If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned*

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

*If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*

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

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

*Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates*

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

*The amount of interest and/or the amount to be repaid upon redemption of Notes may be subject to adjustment by reference to RPI, which may reduce the interest amount payable in respect of the relevant interest period and/or reduce the amount to be repaid upon redemption to less than the face value of such Notes*

The Issuer may issue Notes on terms that the amount of interest payable on each interest payment date and/or the amount to be repaid upon redemption of the Notes will be calculated by reference to movements in the UK Retail Prices Index (**RPI**) during a reference period (**RPI-Linked Notes**). RPI may go down as well as up.

Where Notes in respect of which the amount of interest payable is subject to adjustment by reference to movements in RPI are issued, a decrease in RPI over the reference period will reduce the amount of interest payable in respect of such Notes. In a deflationary environment, the annual interest received may be lower than the rate of interest specified in the applicable Final Terms.

**Where the amount payable upon redemption of the Notes is subject to adjustment by reference to movements in RPI, a decrease in RPI over the reference period may reduce the amount to be repaid upon redemption of the Notes to less than the nominal amount of the Notes, unless the applicable Final Terms specifies a minimum redemption amount which is equal to or higher than the nominal amount of the Notes. Investors may lose up to the entire value of their investment and the redemption amount payable may be less than the initial purchase price and could be as low as zero.**

The historical experience of RPI should not be viewed as an indication of future performance of RPI during the term of any RPI-Linked Note.

*The yield associated with Fixed Rate Notes will differ according to the price at which the Notes are purchased.*

The indication of yield stated within the Final Terms of the Notes applies only to investments made at (as opposed to above or below) the issue price of the Notes. If an investor invests in Notes issued under the Programme at a price other than the issue price of the Notes, the yield on that particular investor's investment in the Notes will be different from the indication of yield on the Notes as set out in the Final Terms of the Notes.

#### ***Risks relating to holding interests in the Notes through CREST Depository Interests***

*Interests in certain Notes may be held through CREST Depository Interests, and holders of such interests in the Notes will be subject to additional provisions and, as a result, the rights of, and returns received by, such holders may differ from those of holders of Notes which are not represented by CREST Depository Interests*

Terms used in this risk factor and not otherwise defined shall have the meanings given to such terms in the section entitled "Clearing and Settlement – CREST Depository Interests" in this Offering Circular.

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

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

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

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

Potential investors should note that none of the Issuer, the relevant Dealer, the Trustee and the Paying Agents will have any responsibility for the performance by any intermediaries through which interests in the Notes and/or CREST Depository Interests may be held, or their respective direct or indirect participants or account holders, of their respective obligations under the rules and procedures governing their operations.

For further information on the issue and holding of CDIs see the section entitled *"Clearing and Settlement – CREST Depository Interests"* in this Offering Circular.

## Documents Incorporated by Reference

The following documents which have previously been published or are published simultaneously with this Offering Circular and have been filed with the Financial Conduct Authority shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the auditors' report and the audited consolidated and non-consolidated financial statements of the Issuer for the 12 months ended 28th February, 2013 (which appear on pages 19 to 23, 25, 27 and 29 to 110 of the Directors' Report and financial statements for the year ended 28th February, 2013);
- (b) the auditors' report and the audited consolidated and non-consolidated financial statements of the Issuer for the 12 months ended 29th February, 2012 (which appear on pages 13 to 17, 19, 21 and 23 to 106 of the Directors' Report and financial statements for the year ended 29th February, 2012);
- (c) the unaudited consolidated financial statements of the Issuer for the six months ended 31st August, 2013 (which appear on pages 8 to 29 of the interim report for the six months ended 31st August, 2013);

including, in respect of items (a) – (c) above, the following pages in particular:

|   | <i>28th February,<br/>2013</i>      | <i>29th February,<br/>2012</i>      | <i>31st August,<br/>2013</i>       |
|---|-------------------------------------|-------------------------------------|------------------------------------|
| <b>Consolidated Income Statement</b>                  | page 21                             | page 15                             | page 8                             |
| <b>Consolidated Statement of Comprehensive Income</b> | page 22                             | page 16                             | page 9                             |
| <b>Consolidated Statement of Financial Position</b>   | page 23                             | page 17                             | page 10                            |
| <b>Consolidated Statement of Changes in Equity</b>    | page 25                             | page 19                             | page 11                            |
| <b>Consolidated Cash Flow Statement</b>               | page 27                             | page 21                             | page 12                            |
| <b>Notes to the Financial Statements</b>              | page 29 to (and including) page 110 | page 23 to (and including) page 106 | page 13 to (and including) page 28 |
| <b>Independent Auditors' Report</b>                   | page 19-20                          | pages 13-14                         | –                                  |

- (d) the Terms and Conditions of the Notes contained in the previous Offering Circular dated 5th August, 2010 (on pages 51 to 68 (inclusive)) prepared by the Issuer in connection with the Programme; and
- (e) the Terms and Conditions of the Notes contained in the previous Offering Circular dated 16th August, 2011 (on pages 52 to 69 (inclusive)) prepared by the Issuer in connection with the Programme,

save that any statement contained herein, or in a document which is deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive 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 part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular can be obtained from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being and have been made available at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

Any documents themselves incorporated by reference in the document incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

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

## **Supplements and New Offering Circulars**

In the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes arising or being noted between the approval of this Offering Circular by the UK Listing Authority and the commencement of trading of such Notes on the London Stock Exchange or the final closing of the offer of such Notes to the public in the United Kingdom and/or Ireland, as the case may be, the Issuer will prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with such Notes and any subsequent issue of Notes.

## Form of the Notes

Each Tranche of Notes will initially be represented by a temporary global Note without interest coupons or talons, or a permanent global Note without interest coupons or talons, in each case as specified in the relevant Final Terms. If the global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, the temporary global Note or, as the case may be, the permanent global Note will be delivered on the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**); and if the global Notes are not intended to be issued in NGN form, the temporary global Note or, as the case may be, the permanent global Note will be delivered on the original issue date of the Tranche to a common depositary (the **Common Depository**) for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system.

Where the global Notes issued in respect of any Tranche of Notes are in NGN form, Euroclear and Clearstream, Luxembourg will be notified by or on behalf of the Issuer as to whether or not such global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a temporary global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made (against presentation of the temporary global Note if the temporary global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Clearstream, Luxembourg and/or Euroclear and Clearstream, Luxembourg and/or Euroclear, as applicable, has given a like certification (based on the certifications it has received) to the Agent (as defined on page 69). Any reference in this section "Form of the Notes" to Clearstream, Luxembourg and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Agent and the Trustee.

On and after the date (the **Exchange Date**) which is 40 days after the date on which any temporary global Note is issued, interests in such temporary global Note will be exchangeable (free of charge) upon a request as described therein either for interests in a permanent global Note without interest coupons or talons or for definitive Notes with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms) in each case against certification of beneficial ownership as described in the second sentence of the immediately preceding paragraph unless such certification has already been given. If any further Notes to be consolidated and form a single Series with any series of outstanding Notes are issued prior to the exchange of interests in the temporary global Note for interests in the permanent global Note representing such outstanding Notes, then the Exchange Date may be extended, without the consent of the holders, to a date which is not earlier than 40 days after the date of issue of such further Notes provided that the Exchange Date would not thereby fall on or after the first interest payment date for such outstanding Notes. The holder of a temporary global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date unless upon due certification exchange of the temporary global Note is improperly withheld or refused. Pursuant to the Agency Agreement (as defined on page 69) the Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and ISIN by Clearstream, Luxembourg and Euroclear which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least 40 days (as notified by the Agent to the relevant Dealer or, in the case of a syndicated issue, the lead manager) after the completion of the distribution of the Notes of such Tranche.

Payments of principal and interest (if any) on a permanent global Note will be made through Clearstream, Luxembourg and/or Euroclear (against presentation or surrender (as the case may be) of such permanent global Note if the permanent global Note is not intended to be issued in NGN form) without any requirement for certification. The applicable Final Terms will specify that either (i) a permanent global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons

attached upon not less than 60 days' written notice from Clearstream, Luxembourg and/or Euroclear (acting on the instructions of any holder of an interest in such permanent global Note) to the Agent as described therein or (ii) a permanent global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon the occurrence of an Exchange Event.

**Exchange Event** means (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified by the Agent that either Clearstream, Luxembourg or Euroclear has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 8 which would not be required were the Notes represented by such permanent global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Clearstream, Luxembourg and/or Euroclear (acting on the instructions of any holder of an interest in such permanent global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent.

Global Notes and definitive Notes will be constituted by, or pursuant to, the Trust Deed (as defined on page 69) and issued in accordance with the provisions of the Agency Agreement.

The following legend will appear on all global Notes, definitive Notes, interest coupons and talons relating to such Notes:

"Any United States person (as defined in the Internal Revenue Code of the United States of America) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in the legend provide that United States holders will not, with certain exceptions, be permitted to deduct any loss and will not be eligible for favourable capital gains treatment with respect to any gain realized on a sale, exchange or redemption of any Note, interest coupon or talon.

Notwithstanding anything to the contrary contained in the Offering Circular, Notes issued under the Programme may be represented on issue by a permanent global Note which will be deposited on the issue date thereof with a common safekeeper or common depositary for Clearstream, Luxembourg and Euroclear and/or any other agreed clearing system and which will be exchangeable, as specified in the applicable Final Terms, for Notes in definitive form.

### **CREST Depository Interests**

If so specified in the applicable Final Terms, investors may also hold interests in the Notes through CREST through the issuance of CREST Depository Interests. See the section entitled "*Clearing and Settlement – CREST Depository Interests*" in this Offering Circular for more information regarding holding CREST Depository Interests.

## Applicable Final Terms

### NOTES WITH A DENOMINATION OF LESS THAN €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY)

[Date]

#### Tesco Personal Finance PLC

Issue of [ ] [ ]  
under the £2,000,000,000 Euro Note Programme

#### Part A — Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes set forth in the Offering Circular dated 27th November, 2013 which[, as modified by a supplement to it dated [ ],] constitutes a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. A summary of the Notes (which comprises the summary in the Offering Circular as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/news/market-news/rns/rns.htm>.

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the **Conditions**) set forth in the Offering Circular dated [ ] which are incorporated by reference in the Offering Circular dated 27th November, 2013. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated 27th November, 2013 [as modified by the supplement to it dated [ ],] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**), including the Conditions incorporated by reference in the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. A summary of the Notes (which comprises the summary in the Offering Circular as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange at [http://www.londonstockexchange.com/news/market-news/rns/rns.htm.\]](http://www.londonstockexchange.com/news/market-news/rns/rns.htm.)

1. Issuer: **Tesco Personal Finance PLC**
2. (i) Series Number: [ ]
- (ii) Tranche Number: [ ]
- (iii) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 23 below, which is expected to occur on or about [ ]]/[Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:
  - (i) Tranche: [ ]
  - (ii) Series: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]

|   |   |
|---|---|
| 6. (i) Specified Denominations:                           | [ ]   |
| (ii) Calculation Amount:                                  | [ ]   |
| 7. (i) Issue Date:  | [ ]   |
| (ii) Interest Commencement Date:                          | [ [ ] /Issue Date/Not Applicable]   |
| 8. Maturity Date:   | [ [ ] ]/[The Interest Payment Date falling in [ ] ]   |
| 9. Interest Basis:  | [ [ ] per cent. Fixed Rate]<br>[ [ ] month [LIBOR/EURIBOR]] +/- [ ] per cent. Floating Rate]<br>[Zero Coupon]<br>[RPI-Linked Interest]<br>(further particulars specified in paragraph [14]/[15]/[16]/[17] below)  |
| 10. Redemption:   | [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount] [RPI-Linked Redemption]  |
| 11. Change of Interest Basis:                             | [Not Applicable][For the period from (and including) the Interest Commencement Date, up to (but excluding) [ ] paragraph [14/15] applies and for the period from (and including) [ ], up to (and including) the Maturity Date, paragraph [14/15] applies] |
| 12. Put/Call Options:                                     | [Save as provided in Condition 7(c), not applicable] [Investor Put (see paragraph 20 below)]<br>[Issuer Call (see paragraph 19 below)]<br>[Condition 7(c) also applies]   |
| 13. Date [Board] approval for issuance of Notes obtained: | [ [ ] [and [ ], respectively]] [Not Applicable]   |

### **Provisions Relating to Interest (if any) Payable**

|   |   |
|---|---|
| 14. Fixed Rate Note Provisions                                      | [Applicable/Not Applicable]   |
| (i) Rate[(s)] of Interest:  | [ ] per cent. per annum payable in arrear on each Interest Payment Date   |
| (ii) Interest Payment Date(s):                                      | [ ] in each year up to and including the Maturity Date  |
| (iii) Fixed Coupon Amount(s):                                       | [ ] per Calculation Amount  |
| (iv) Broken Amount(s):  | [ [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] ] [Not Applicable]                                 |
| (v) Fixed Day Count Fraction:                                       | [Actual/Actual (ICMA)/30/360]   |
| (vi) Determination Date(s):   | [ [ ] in each year][Not Applicable]   |
| 15. Floating Rate Note Provisions                                   | [Applicable/Not Applicable]   |
| (i) Specified Period(s)/Specified Interest Payment Dates:           | [ ]   |
| (ii) Business Day Convention:                                       | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] |
| (iii) Additional Business Centre(s):                                | [ ]][Not Applicable]  |
| (iv) Manner in which the Rate of Interest and Interest Amount is to | [Screen Rate Determination/ISDA Determination]  |

be determined:

(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ] [Not Applicable]

(vi) Screen Rate Determination: [Applicable] [Not Applicable]  
— Reference Rate: Reference Rate: [ ] month [LIBOR/EURIBOR].

— Interest Determination Date(s): [ ]

— Relevant Screen Page: [ ]

(vii) ISDA Determination: [Applicable] [Not Applicable]  
— Floating Rate Option: [ ]  
— Designated Maturity: [ ]  
— Reset Date: [ ]

(viii) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]

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

(x) Minimum Rate of Interest: [[ ] per cent. per annum] [Not Applicable]

(xi) Maximum Rate of Interest: [[ ] per cent. per annum] [Not Applicable]

(xii) Floating Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/360]  
[30/360] [360/360] [Bond Basis]  
[30E/360] [Eurobond basis]  
[30E/360 (ISDA)]

16. Zero Coupon Note Provisions [Applicable/Not Applicable]

(i) Accrual Yield: [ ] per cent. per annum

(ii) Reference Price: [ ]

(iii) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]

### Provisions Relating to RPI-Linked Notes

17. RPI-Linked Note Provisions [Applicable – [Condition 4(c)] [and] [Condition 5]  
[apply/applies]] [Not Applicable]

(i) Rate of Interest: [[ ] per cent. per annum] [Not Applicable]

(ii) Name and address of Calculation Agent: [ ]

(iii) Party responsible for calculating the Interest Amounts and Redemption Amount(s) (if not the Calculation Agent): [ ] [Not Applicable]

(iv) Specified Period(s)/Specified Interest Payment Date(s): [ ] [Not Applicable]

|                                     |   |
|-------------------------------------|---|
| (v) Business Day Convention:        | [Not Applicable/Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]  |
| (vi) Additional Business Centre(s): | [ ] [Not Applicable]  |
| (vii) Day Count Fraction:           | [Actual/Actual (ICMA)]<br>[30/360 (as set out in Condition 4(a))]<br>[Actual/Actual (ISDA)][Actual/Actual]<br>[Actual/365 (Fixed)]<br>[Actual/360]<br>[30/360 (as set out in Condition 4(b))][360/360][Bond Basis]<br>[30E/360][Eurobond basis]<br>[30E/360 (ISDA)]<br>[Not Applicable]       |
| (viii) Determination Dates:         | [ [ ] in each year][Not Applicable]   |
| (ix) Base Index Figure:             | [ ]   |
| (x) Index Figure applicable to:     | [particular month: paragraph (i) of the definition of "Index Figure applicable" applies] [first calendar day of any month: paragraph (ii) of the definition of "Index Figure applicable" applies] [ [ ] in any month: paragraph (iii) of the definition of "Index Figure applicable" applies] |
| (xi) Reference Gilt:                | [ [ ] per cent. Index-Linked Treasury Stock due [ ] ] / [ ]   |

## Provisions Relating to Redemption

|  |   |
|--|---|
| 18. [(i)] Notice periods for Condition 7(b): | Minimum period: [ ] days<br>Maximum period: [ ] days                  |
| [(ii)] Notice periods for Condition 7(c):    | [Minimum period [ ] days<br>Maximum period: [ ] days][Not Applicable] |
| 19. Issuer Call                              | [Applicable/[Save as provided in Condition 7(c),] Not Applicable]     |
| (i) Optional Redemption Date(s):             | [ ]   |
| (ii) Optional Redemption Amount:             | [ ] per Calculation Amount  |
| (a) Minimum Optional Redemption Amount:      | [ [ ] per Calculation Amount][Not Applicable]                         |
| (b) Maximum Optional Redemption Amount:      | [ [ ] per Calculation Amount][Not Applicable]                         |
| (iii) If redeemable in part:                 |   |
| (a) Minimum Redemption Amount:               | [ ]   |
| (b) Higher Redemption Amount:                | [ ]   |
| (iv) Notice periods:                         | Minimum period: [ ] days<br>Maximum period: [ ] days                  |
| 20. Investor Put                             | [Applicable/Not Applicable]   |
| (i) Optional Redemption Date(s):             | [ ]   |
| (ii) Optional Redemption Amount(s):          | [ ] per Calculation Amount  |
| (a) Minimum Optional Redemption Amount:      | [ [ ] per Calculation Amount][Not Applicable]                         |

|   |   |
|---|---|
| (b) Maximum Optional Redemption Amount:   | [[    ] per Calculation Amount][Not Applicable]                     |
| (iii) Notice periods:   | Minimum period: [    ] days<br>Maximum period: [    ] days          |
| 21. Final Redemption Amount:  | [    ] per Calculation Amount                                       |
| (a) Minimum Final Redemption Amount:  | [[    ] per Calculation Amount][Not Applicable]                     |
| (b) Maximum Final Redemption Amount:  | [[    ] per Calculation Amount][Not Applicable]                     |
| 22. Early Redemption Amount(s) payable on redemption for taxation reasons, indexation reasons or on event of default: | [[    ] per Calculation Amount]/[In accordance with Condition 7(f)] |
| (a) Minimum Early Redemption Amount:  | [[    ] per Calculation Amount][Not Applicable]                     |
| (b) Maximum Early Redemption Amount:  | [[    ] per Calculation Amount][Not Applicable]                     |

### **General Provisions Applicable to the Notes**

|                                     |   |
|-------------------------------------|---|
| 23. (a) Form of Notes:              | [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event].]   |
|                                     | [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date.]   |
|                                     | [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event].]   |
|                                     | [CREST Depositary Interests ( <b>CDIs</b> ) representing the Notes may also be issued in accordance with the usual procedures of Euroclear UK & Ireland Limited ( <b>CREST</b> )] |
| (b) New Global Note:                | [Yes] [No]  |
| 24. Additional Financial Centre(s): | [Not Applicable] [    ]   |

### **Third Party Information**

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

Signed on behalf of Tesco Personal Finance PLC:

By: \_\_\_\_\_  
*Duly authorised*

## Part B — Other Information

### 1. LISTING AND ADMISSION TO TRADING

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market [and through the London Stock Exchange's electronic order book for retail bonds (**ORB**)] and listing on the Official List of the UK Listing Authority with effect from [ ].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market [and through the London Stock Exchange's electronic order book for retail bonds (**ORB**)] and listing on the Official List of the UK Listing Authority with effect from [ ].] [Not Applicable.]

[ [ ] will be appointed as registered market maker[s] through ORB (<http://www.londonstockexchange.com/exchange/prices-and-markets/retail-bonds/retail-bonds-search.html>) when the Notes are issued. Market-making will be supported by [ ] on [the bondscape platform ([www.bondscape.net](http://www.bondscape.net))][ ].]

### 2. RATINGS

Ratings: [Not Applicable]/[The Notes to be issued [[have been]/[are expected to be]] rated [ ] by [ ].]

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

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

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

- [(i)] Reasons for the offer [ ]
- [(ii)] Estimated net proceeds: [ ]
- [(iii)] Estimated total expenses: [ ].

### 5. [YIELD]

Indication of yield: [ ]  
[Calculated as [ ] on the Issue Date.]

### 6. [HISTORIC INTEREST RATES]

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

### 7. [POST-ISSUANCE INFORMATION]

The Issuer [intends to provide post-issuance information. The following post-issuance information will be reported: [ ] and can be obtained from [ ].] [does not intend to provide post-issuance information.]

### 8. OPERATIONAL INFORMATION

- (i) ISIN Code: [ ]
- (ii) Common Code: [ ]

(iii) Name(s) and address(es) of any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable]/[ ]

(iv) Delivery: Delivery [against/free of] payment

(v) Names and addresses of additional Paying Agent(s) (if any): [ ] [Not Applicable]

## 9. DISTRIBUTION

(i) Name(s) and address(es) of Manager(s)/relevant Dealer and underwriting commitment(s): [Not Applicable]/[ ]

(ii) Date of underwriting agreement: [ ]

(iii) Total commission and concession: [ ] per cent. of the Aggregate Nominal Amount

(iv) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]]

(v) Public Offer: [Not Applicable] [[An offer of the Notes may be made by the Managers [, [ ] (the **Initial Authorised Offerors**) whose addresses are [ ] [and any additional financial intermediaries who have or obtain the Issuer's consent to use the Offering Circular in connection with the Public Offer and who are identified on the Issuer's website at <http://corporate.escobank.com/49/financial-information/debt-investors> as an Authorised Offeror] (together [with any financial intermediaries granted General Consent], being persons to whom the Issuer has given consent, the **Authorised Offerors**) other than pursuant to Article 3(2) of the Prospectus Directive in [the United Kingdom] [and] [Ireland] (the **Public Offer Jurisdictions**) during the period from [[ ]] until [[ ]] /[the Issue Date]]/[the date which falls [ ] Business Days thereafter] (the **Offer Period**). See further paragraph 10 below.]

(vi) General Consent: [Not Applicable] [Applicable]

(vii) Other conditions to consent: [Not Applicable] [ ].

## 10. TERMS AND CONDITIONS OF THE OFFER

Offer Price: [Issue Price/Not Applicable/[ ]]

Conditions to which the offer is subject: [Not Applicable/[ ]]

Offer Period: See paragraph 9(v) above

Description of the application process: [Not Applicable/[ ]]

|  |   |
|--|---|
| Details of the minimum and/or maximum amount of application:   | [Not Applicable/[   ]]  |
| Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:                                | [Not Applicable/[   ]]  |
| Details of the method and time limits for paying up and delivering the Notes:  | [Not Applicable/[   ]]  |
| Manner in and date on which results of the offer are to be made public:  | [Not Applicable/[   ]]  |
| Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: | [Not Applicable/[   ]]  |
| Whether tranche(s) have been reserved for certain countries:   | [Not Applicable/[   ]]  |
| Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:      | [Not Applicable/[   ]]  |
| Amount of any expenses and taxes specifically charged to the subscriber or purchaser:  | [Not Applicable/[   ]]  |
| Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:             | The Authorised Offerors identified in or in the manner specified in paragraph 9 above   |
| [Categories of potential investors to which the Notes are offered:   | [Offers or solicitations may be made by the Authorised Offerors during the Offer Period set out above to any person [   ]. No offer or solicitation in respect of the Notes shall be made by the Authorised Offerors except pursuant to an exemption (pursuant to Article 3(2) of the Prospectus Directive) from the obligation under Article 3(1) of the Prospectus Directive as implemented in such countries to publish a prospectus (a) in any other Member State of the European Economic Area or (b) after the Offer Period set out above has ended.] |

## **SUMMARY OF THE NOTES**

[ ]

## Applicable Final Terms

NOTES WITH A DENOMINATION OF €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY) OR MORE

[Date]

**Tesco Personal Finance PLC**

Issue of [ ] [ ]  
under the £2,000,000,000 Euro Note Programme

### Part A — Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes set forth in the Offering Circular dated 27th November, 2013 which[, as modified by a supplement to the Offering Circular dated [ ],] constitutes a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. A summary of the Notes (which comprises the summary in the Offering Circular as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/news/market-news/rns/rns.htm>.

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the **Conditions**) set forth in the Offering Circular dated [ ] which are incorporated by reference in the Offering Circular dated 27th November, 2013. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated 27th November, 2013 [as modified by the supplement to the Offering Circular dated [ ],] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**), including the Conditions incorporated by reference in the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/news/market-news/rns/rns.htm>.]

1. Issuer: **Tesco Personal Finance PLC**
2. (i) Series Number: [ ]
- (ii) Tranche Number: [ ]
- (iii) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 23 below, which is expected to occur on or about [ ]]/[Not Applicable]]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:
  - (i) Tranche: [ ]
  - (ii) Series: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]
6. (i) Specified Denominations: [ ]  
(ii) Calculation Amount: [ ]

|   |   |
|---|---|
| 7. (i) Issue Date:  | [ ]   |
| (ii) Interest Commencement Date:                          | [ ]/Issue Date/Not Applicable]  |
| 8. Maturity Date:   | [ ]/[The Interest Payment Date falling in [ ]]  |
| 9. Interest Basis:  | [ ] per cent. Fixed Rate]<br>[ ] month [LIBOR/EURIBOR]] +/- [ ] per cent. Floating Rate]<br>[Zero Coupon]<br>[RPI-Linked Interest]<br>(further particulars specified in paragraph [14]/[15]/[16]/[17] below)  |
| 10. Redemption:   | [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount] [RPI-Linked Redemption]  |
| 11. Change of Interest Basis:                             | [Not Applicable][For the period from (and including) the Interest Commencement Date, up to (but excluding) [ ] paragraph [14/15] applies and for the period from (and including) [ ], up to (and including) the Maturity Date, paragraph [14/15] applies] |
| 12. Put/Call Options:                                     | [Save as provided in Condition 7(c), not applicable]<br>[Investor Put (see paragraph 20 below)]<br>[Issuer Call (see paragraph 19 below)]<br>[Condition 7(c) also applies]  |
| 13. Date [Board] approval for issuance of Notes obtained: | [ [ ] [and [ ], respectively]] [Not Applicable]   |

### **Provisions Relating to Interest (if any) Payable**

|  |   |
|--|---|
| 14. Fixed Rate Note Provisions   | [Applicable/Not Applicable]   |
| (i) Rate(s) of Interest:   | [ ] per cent. per annum payable in arrear on each Interest Payment Date   |
| (ii) Interest Payment Date(s):   | [ ] in each year up to and including the Maturity Date  |
| (iii) Fixed Coupon Amount(s):  | [ ] per Calculation Amount  |
| (iv) Broken Amount(s):   | [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]                                      |
| (v) Fixed Day Count Fraction:  | [Actual/Actual (ICMA)/30/360]   |
| (vi) Determination Date(s):  | [ [ ] in each year][Not Applicable]   |
| 15. Floating Rate Note Provisions  | [Applicable/Not Applicable]   |
| (i) Specified Period(s)/Specified Interest Payment Date(s):                        | [ ]   |
| (ii) Business Day Convention:  | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] |
| (iii) Additional Business Centre(s):   | [ ] [Not Applicable]  |
| (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: | [Screen Rate Determination/ISDA Determination]  |

|        |  |   |
|--------|--|---|
| (v)    | Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): | [ ] [Not Applicable]  |
| (vi)   | Screen Rate Determination:   | [Applicable] [Not Applicable]   |
| —      | Reference Rate:  | Reference Rate: [ ] month [LIBOR/EURIBOR].  |
| —      | Interest Determination Date(s):  | [ ]   |
| —      | Relevant Screen Page:  | [ ]   |
| (vii)  | ISDA Determination:  | [Applicable] [Not Applicable]   |
| —      | Floating Rate Option:  | [ ]   |
| —      | Designated Maturity:   | [ ]   |
| —      | Reset Date:  | [ ]   |
| (viii) | Linear Interpolation:  | [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]                 |
| (ix)   | Margin(s):   | [+/-] [ ] per cent. per annum   |
| (x)    | Minimum Rate of Interest:  | [ [ ] per cent. per annum] [Not Applicable]   |
| (xi)   | Maximum Rate of Interest:  | [ [ ] per cent. per annum] [Not Applicable]   |
| (xii)  | Floating Day Count Fraction:   | [Actual/Actual (ISDA)] [Actual/Actual]<br>[Actual/365 (Fixed)]<br>[Actual/360]<br>[30/360] [360/360] [Bond Basis]<br>[30E/360] [Eurobond basis]<br>[30E/360 (ISDA)] |
| 16.    | Zero Coupon Note Provisions  | [Applicable/Not Applicable]   |
| (i)    | Accrual Yield:   | [ ] per cent. per annum   |
| (ii)   | Reference Price:   | [ ]   |
| (iii)  | Day Count Fraction in relation to Early Redemption Amounts:                                    | [30/360]<br>[Actual/360]<br>[Actual/365]  |

### Provisions relating to RPI-Linked Notes

|       |   |  |
|-------|---|--|
| 17.   | RPI-Linked Note Provisions  | [Applicable – [Condition 4(c)] [and] [Condition 5] [apply/applies]] [Not Applicable] |
| (i)   | Rate of Interest:   | [ [ ] per cent. per annum] [Not Applicable]  |
| (ii)  | Name and address of Calculation Agent:  | [ ]  |
| (iii) | Party responsible for calculating the Interest Amounts and Redemption Amount(s) (if not the Calculation Agent): | [ ] [Not Applicable]   |
| (iv)  | Specified Period(s)/Specified Interest Payment Date(s):   | [ ] [Not Applicable]   |
| (v)   | Business Day Convention:  | [Not Applicable/Floating Rate Convention/Following]                                  |

|                                     |  |
|-------------------------------------|--|
|                                     | Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]  |
| (vi) Additional Business Centre(s): | [ ] [Not Applicable]   |
| (vii) Day Count Fraction:           | [Actual/Actual (ICMA)]<br>[30/360 (as set out in Condition 4(a))]<br>[Actual/Actual (ISDA)][Actual/Actual]<br>[Actual/365 (Fixed)]<br>[Actual/360]<br>[30/360 (as set out in Condition 4(b))][360/360][Bond Basis]<br>[30E/360][Eurobond basis]<br>[30E/360 (ISDA)]<br>[Not Applicable]      |
| (viii) Determination Dates:         | [[ ] in each year][Not Applicable]   |
| (ix) Base Index Figure:             | [ ]  |
| (x) Index Figure applicable to:     | [particular month: paragraph (i) of the definition of "Index Figure applicable" applies] [first calendar day of any month: paragraph (ii) of the definition of "Index Figure applicable" applies] [[ ] in any month: paragraph (iii) of the definition of "Index Figure applicable" applies] |
| (xi) Reference Gilt:                | [[ ] per cent. Index-Linked Treasury Stock due [ ]]<br>[ ]   |

## Provisions Relating to Redemption

|  |  |
|--|--|
| 18. [(i)] Notice periods for Condition 7(b): | Minimum period: [ ] days<br>Maximum period: [ ] days                   |
| [(ii)] Notice periods for Condition 7(c):    | [Minimum period: [ ] days<br>Maximum period: [ ] days][Not Applicable] |
| 19. Issuer Call                              | [Applicable/[Save as provided in Condition 7(c),] Not Applicable]      |
| (i) Optional Redemption Date(s):             | [ ]  |
| (ii) Optional Redemption Amount:             | [ ] per Calculation Amount   |
| (a) Minimum Optional Redemption Amount:      | [ ] per Calculation Amount][Not Applicable]                            |
| (b) Maximum Optional Redemption Amount:      | [[ ] per Calculation Amount][Not Applicable]                           |
| (iii) If redeemable in part:                 |  |
| (a) Minimum Redemption Amount:               | [ ]  |
| (b) Higher Redemption Amount:                | [ ]  |
| (iv) Notice periods:                         | Minimum period: [ ] days<br>Maximum period: [ ] days                   |
| 20. Investor Put                             | [Applicable/Not Applicable]  |
| (i) Optional Redemption Date(s):             | [ ]  |
| (ii) Optional Redemption Amount(s):          | [ ] per Calculation Amount   |
| (a) Minimum Optional Redemption Amount:      | [[ ] per Calculation Amount][Not Applicable]                           |

|   |  |
|---|--|
| (b) Maximum Optional Redemption Amount:   | [[   ] per Calculation Amount][Not Applicable]                     |
| (iii) Notice periods:   | Minimum period: [   ] days<br>Maximum period: [   ] days           |
| 21. Final Redemption Amount:  | [   ] per Calculation Amount                                       |
| (a) Minimum Final Redemption Amount:  | [[   ] per Calculation Amount][Not Applicable]                     |
| (b) Maximum Final Redemption Amount:  | [[   ] per Calculation Amount][Not Applicable]                     |
| 22. Early Redemption Amount(s) payable on redemption for taxation reasons, indexation reasons or on event of default: | [[   ] per Calculation Amount]/[In accordance with Condition 7(f)] |
| (a) Minimum Early Redemption Amount:  | [[   ] per Calculation Amount][Not Applicable]                     |
| (b) Maximum Early Redemption Amount:  | [[   ] per Calculation Amount][Not Applicable]                     |

### **General Provisions Applicable to the Notes**

|                                     |   |
|-------------------------------------|---|
| 23. (a) Form of Notes:              | [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event].] |
|                                     | [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date.]   |
|                                     | [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event].]   |
| (b) New Global Note:                | [Yes] [No]  |
| 24. Additional Financial Centre(s): | [Not Applicable/[   ]]  |

### **Third Party Information**

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

Signed on behalf of Tesco Personal Finance PLC:

By: \_\_\_\_\_  
*Duly authorised*

## Part B — Other Information

### 1. LISTING AND ADMISSION TO TRADING

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

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

### 2. RATINGS

Ratings: [Not Applicable]/[The Notes to be issued [[have been]/[are expected to be]] rated [ ] by [ ].]

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

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

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

[(i)] Reasons for the offer: [ ]  
[(ii)] Estimated net proceeds: [ ]  
[(iii)] Estimated total expenses: [ ].

### 5. [YIELD]

Indication of yield: [ ]

### 6. [HISTORIC INTEREST RATES]

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

### 7. [POST-ISSUANCE INFORMATION]

The Issuer [intends to provide post-issuance information. The following post-issuance information will be reported: [ ] and can be obtained from [ ].] [does not intend to provide post-issuance information].

### 8. OPERATIONAL INFORMATION

(i) ISIN Code: [ ]  
(ii) Common Code: [ ]  
(iii) Name(s) and address(es) of any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable]/[ ]  
(iv) Delivery: Delivery [against/free of] payment  
(v) Names and addresses of additional [ ] [Not Applicable]

Paying Agent(s) (if any):

**9. DISTRIBUTION**

- (i) Name(s) of Manager(s)/relevant Dealer: [Not Applicable/[   ]]
- (ii) Date of underwriting agreement: [   ]
- (iii) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]]

## **SUMMARY OF THE NOTES**

[ ]

## Terms and Conditions of the Notes

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each global Note and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each temporary global Note, permanent global Note and definitive Note. Reference should be made to "Applicable Final Terms" above for the form of Final Terms which will include the meaning of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Tesco Personal Finance PLC (the **Issuer**) constituted by a Trust Deed (as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 5th August, 2010 made between the Issuer and Capita Trust Company Limited (the **Trustee**, which expression shall include any successor as trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note, units of each Specified Denomination in the Specified Currency;
- (ii) definitive Notes issued in exchange for a global Note; and
- (iii) any global Note.

The Notes and the Coupons (as defined below) also have the benefit of an Agency Agreement (as modified and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 27th November, 2013 and made among the Issuer, HSBC Bank plc, as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent specified in the applicable Final Terms), any other paying agent named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and the Trustee.

Interest bearing definitive Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note and which supplement these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. The expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), to the extent implemented in the Relevant Member State of the European Economic Area and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

The Trustee acts for the benefit of the holders of the Notes (the **Noteholders**, which expression shall, in relation to any Notes represented by a global Note, be construed as provided below) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), all in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices. The following statements include summaries of, and are subject to, the detailed provisions of the Trust Deed and the applicable Final Terms. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal office of the Trustee at 4th Floor, 40 Dukes Place, London EC3A 7NH, and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing and copies may be obtained from the registered office of the Issuer and from the specified office of the Paying Agents. The applicable Final Terms will be published on the website of the London

Stock Exchange through a regulatory information service  
(<http://www.londonstockexchange.com/exchange/news/market-news/marketnews-home.html>).

The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are binding on them.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of any inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## 1. Form, Denomination and Title

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denomination(s) (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an RPI-Linked Interest Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an RPI-Linked Redemption Note depending on the Redemption Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Trustee, the Agent and any other Paying Agent may deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph. For so long as any of the Notes is represented by a global Note held on behalf of Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) and/or Euroclear Bank S.A./N.V. (**Euroclear**) each person (other than Clearstream, Luxembourg or Euroclear) who is for the time being shown in the records of Clearstream, Luxembourg or of Euroclear as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Agent and any other Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant global Note shall be treated by the Issuer, the Trustee, the Agent and any other Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant global Note and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly. Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Clearstream, Luxembourg or of Euroclear, as the case may be. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest or proven error, be conclusive and binding on all concerned.

References to Clearstream, Luxembourg and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Trustee and the Agent and specified in Part B of the applicable Final Terms.

## 2. Status of the Notes

The Notes and the relative Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain debts preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

## 3. [This Condition is intentionally blank]

## 4. Interest

The applicable Final Terms will indicate whether the Notes are Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or RPI-Linked Interest Notes or a combination thereof.

(a) *Interest on Fixed Rate Notes:* This Condition 4(a) applies to Fixed Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 4(a) for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Fixed Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will, if so specified in the applicable Final Terms, amount to the Broken Amount(s) so specified.

As used in these Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such global Note; or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In these Conditions:

**Fixed Day Count Fraction** means:

(i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of

Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

- (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
  - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
  - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360;

**Determination Period** means the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

- (b) *Interest on Floating Rate Notes:* This Condition 4(b) applies to Floating Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 4(b) for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centre(s), whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where (a) ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date, and (b) Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

- (i) *Interest Payment Dates:* Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:
  - (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
  - (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, **Business Day** means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland and Sydney, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open. In these Conditions, **TARGET2 System** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

(ii) **Rate of Interest:** The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

- (A) **ISDA Determination for Floating Rate Notes:** Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as amended and updated as at the Issue Date of the first Tranche of the Notes and as published by the International Swaps and Derivatives Association, Inc. (the **ISDA Definitions**) and under which: (1) the Floating Rate Option is as specified in the applicable Final Terms; (2) the Designated Maturity is a period specified in the applicable Final Terms; and (3) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

- (B) **Screen Rate Determination for Floating Rate Notes:** Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that Service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

- (iii) *Minimum and/or Maximum Interest Rate*: If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.
- (iv) *Determination of Rate of Interest and calculation of Interest Amounts*: The Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Notes represented by such global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Floating Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In these Conditions, **Floating Day Count Fraction** means, in respect of the calculation of an amount of interest for any Interest Period in accordance with this Condition 4(b):

- (i) if "Actual/Actual" or "Actual/Actual (ISDA)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

- (iii) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (iv) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

" $Y_1$ " is the year, expressed as a number, in which the first day of the Interest Period falls;

" $Y_2$ " is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

" $M_1$ " is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

" $M_2$ " is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

" $D_1$ " is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case  $D_1$  will be 30; and

" $D_2$ " is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and  $D_1$  is greater than 29, in which case  $D_2$  will be 30;

- (v) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

" $Y_1$ " is the year, expressed as a number, in which the first day of the Interest Period falls;

" $Y_2$ " is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

" $M_1$ " is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

" $M_2$ " is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

" $D_1$ " is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case  $D_1$  will be 30; and

" $D_2$ " is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case  $D_2$  will be 30;

- (vi) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

" $Y_1$ " is the year, expressed as a number, in which the first day of the Interest Period falls;

" $Y_2$ " is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

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

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

(v) Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

**Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(vi) *Notification of Rate of Interest and Interest Amounts:* The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business in London.

(vii) *Determination or Calculation by Trustee:* If for any reason the Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (ii)(A) or (B) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (iv) above, the Trustee (or an agent appointed by the Trustee) shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent (and, where practicable, in accordance with this Condition).

(viii) *Certificates to be Final:* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Agent or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Trustee, the other Paying Agents and all Noteholders, and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the

Noteholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on RPI-Linked Interest Notes:* This Condition 4(c) applies to RPI-Linked Interest Notes only. The applicable Final Terms contains provisions applicable to the determination of RPI-linked interest and must be read in conjunction with this Condition 4(c) and Condition 5 for full information on the manner in which interest is calculated on the RPI-Linked Interest Notes. In particular, the applicable Final Terms will identify the Interest Commencement Date, any Specified Interest Payment Dates, any Specified Period, any applicable Business Day Convention, any Additional Business Centres, the Rate of Interest, the party who will calculate the amount of interest due if it is not the Agent and the applicable Day Count Fraction.

(i) *Interest Payment Dates:* Each RPI-Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(c)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, **Business Day** means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland and Sydney, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(ii) *Rate of Interest:* The Rate of Interest payable from time to time in respect of RPI-Linked Interest Notes will be as specified in the applicable Final Terms. Amounts of interest payable in respect of RPI-Linked Interest Notes determined by reference to the applicable Rate of Interest shall be subject to adjustment in accordance with Condition 5(b).

(iii) *Determination of applicable Index Ratio and calculation of Interest Amounts:* The Calculation Agent will, at or as soon as practicable after each time at which the Index Ratio applicable to any payment of interest in respect of the Notes becomes capable of being determined, determine the Index Ratio applicable to the relevant payment of interest.

The Calculation Agent will calculate the amount of interest (the **Interest Amount**) payable on the RPI-Linked Interest Notes in respect of any period by applying the Rate of Interest to:

(A) in the case of RPI-Linked Interest Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Notes represented by such global Note; or

(B) in the case of RPI-Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by (1) the applicable Fixed Day Count Fraction (as defined in Condition 4(a)) or Floating Day Count Fraction (as defined in Condition 4(b)) and (2) the applicable Index Ratio in accordance with Condition 5(b), and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of an RPI-Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

(iv) *Notification of Interest Amounts:* The Calculation Agent will cause the Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Agent as soon as practicable after determining the same. The Agent will cause such amounts to be notified to the Issuer and any stock exchange on which the relevant RPI-Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined in Condition 4(b)(vi)) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified by the Agent to each stock exchange on which the relevant RPI-Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14.

(v) *Determination or Calculation by Trustee:* If for any reason at any time after the Issue Date the Calculation Agent defaults in its obligation to determine the Index Ratio applicable to any payment of interest in respect of the Notes or defaults in its obligation to calculate any Interest Amount for any Interest Period(s), in each case in accordance with subparagraph (iii) above or as otherwise specified in the applicable Final Terms, as the case may be, the Trustee (or an agent appointed by the Trustee) shall determine the Index Ratio applicable to the relevant payment at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition and to the provisions of Condition 5), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) for the relevant period(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent (and, where practicable, in accordance with this Condition).

(vi) *Certificates to be Final:* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(c), whether by the Calculation Agent, the Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Agent, the Trustee, the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Calculation

Agent, the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(d) **Accrual of Interest:** Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

## 5. Indexation

This Condition 5 is applicable only if the applicable Final Terms specifies the Notes as RPI-Linked Interest Notes and/or RPI-Linked Redemption Notes.

(a) *Definitions:*

**Base Index Figure** means (subject to Condition 5(c)(i)) the Base Index Figure specified in the applicable Final Terms;

**Index or Index Figure** means, subject as provided in Condition 5(c)(i), the UK Retail Prices Index (**RPI**) (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace the UK Retail Prices Index for the purpose of calculating the amount payable on repayment of the Reference Gilt. Any reference in these Conditions and/or the applicable Final Terms to the **Index Figure applicable** to a month or date shall, subject in each case as provided in Conditions 5(c) and 5(e):

- (i) if the applicable Final Terms specify the Index Figure applicable to a particular month, be construed as a reference to the Index Figure published in the seventh month prior to that particular month and relating to the month before that of publication; or
- (ii) if the applicable Final Terms specify the Index Figure applicable to the first calendar day of any month, be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or
- (iii) if the applicable Final Terms specify the Index Figure applicable to any other day in any month, be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the specified day falls, calculated as described in sub-paragraph (ii) above, and (y) the Index Figure applicable to the first calendar day of the month following the month in which the specified day falls, calculated as described in sub-paragraph (ii) above, and rounded to the nearest fifth decimal place (0.000005 being rounded upwards);

**Index Ratio** applicable to any month or date, as the case may be, means the Index Figure applicable to such month or date, as the case may be, divided by the Base Index Figure and rounded to the nearest fifth decimal place (0.000005 being rounded upwards); and

**Reference Gilt** means the Treasury Stock specified in the applicable Final Terms for so long as such stock is in issue, and thereafter such issue of index-linked Treasury Stock determined to be appropriate by a gilt-edged market maker or other adviser selected by the Issuer (an **Indexation Adviser**).

(b) *Application of the Index Ratio:*

Each payment of (A) in the case of RPI-Linked Interest Notes, interest and (B) in the case of RPI-Linked Redemption Notes, principal (including each Final Redemption Amount, Early Redemption Amount and Optional Redemption Amount) in respect of the Notes shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio applicable to the month or date, as the case may be, in or on which such payment falls to be made and rounded in accordance with Condition 4(c)(iii) provided that, in the case of RPI-Linked Redemption Notes:

- (i) if a Minimum Final Redemption Amount, Minimum Early Redemption Amount and/or Minimum Optional Redemption Amount is specified in the applicable Final Terms and such amount is greater than the amount of principal in respect of the Notes determined in accordance with this Condition 5(b), the Final Redemption Amount, Early Redemption Amount and/or Optional Redemption Amount (as applicable) per Calculation Amount shall be, respectively, the Minimum Final Redemption Amount, Minimum Early Redemption Amount and/or Minimum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms; and/or

(ii) if a Maximum Final Redemption Amount, Maximum Early Redemption Amount and/or Maximum Optional Redemption Amount is specified in the applicable Final Terms and such amount is less than the amount of principal in respect of the Notes determined in accordance with this Condition 5(b), the Final Redemption Amount, Early Redemption Amount and/or Optional Redemption Amount (as applicable) per Calculation Amount shall be, respectively, the Maximum Final Redemption Amount, Maximum Early Redemption Amount or Maximum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms.

(c) *Changes in Circumstances Affecting the Index:*

- (i) Change in base: If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the month from and including that in which such substitution takes effect or the first date from and including that on which such substitution takes effect, as the case may be, (A) the definition of "Index" and "Index Figure" in Condition 5(a) shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefor), and (B) the new "Base Index Figure" shall be the product of the existing Base Index Figure and the Index Figure applicable to the date on which such substitution takes effect, divided by the Index Figure applicable to the date immediately preceding the date on which such substitution takes effect.
- (ii) Delay in publication of Index if sub-paragraph (i) of the definition of Index Figure is applicable: If the Index Figure which is normally published in the seventh month and which relates to the eighth month (**the relevant month**) before the month in which a payment is due to be made is not published on or before the 14th business day before the date on which such payment is due (**the date for payment**), the Index Figure applicable to the month in which the date for payment falls shall be (A) such substitute index figure (if any) as the Trustee considers (acting solely on the advice of the Indexation Adviser) to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser (and approved by the Trustee (acting solely on the advice of the Indexation Adviser)) or (B) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 5(c)(i)) before the date for payment.
- (iii) Delay in publication of Index if sub-paragraph (ii) and/or (iii) of the definition of Index Figure is applicable: If the Index Figure relating to any month (**the calculation month**) which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the 14th business day before the date on which such payment is due (**the date for payment**), the Index Figure applicable for the relevant calculation month shall be (A) such substitute index figure (if any) as the Trustee considers (acting solely on the advice of the Indexation Adviser) to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser (and approved by the Trustee (acting solely on the advice of the Indexation Adviser)) or (B) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 5(c)(i)) before the date for payment.

(d) *Application of Changes:*

Where the provisions of Condition 5(c)(ii) or Condition 5(c)(iii) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls or the date for payment, as the case may be, shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 5(c)(ii)(B) or Condition 5(c)(iii)(B), as applicable, the Index Figure relating to the relevant month or relevant calculation month, as the case may be, is subsequently published while a Note is still outstanding, then:

- (i) in relation to a payment of (A) in the case of RPI-Linked Interest Notes, interest and/or (B) in the case of RPI-Linked Redemption Notes, principal in respect of such Note other than upon final redemption of

such Note, the interest and/or principal (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced, as the case may be, by an amount equal to the shortfall or excess, as the case may be, of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 5(c)(ii)(B) or Condition 5(c)(iii)(B) below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the 14th business day before the date for payment; and

- (ii) in relation to a payment of (A) in the case of RPI-Linked Interest Notes, interest and/or (B) in the case of RPI-Linked Redemption Notes, principal upon final redemption, no subsequent adjustment to amounts paid will be made.

(e) *Cessation of or Fundamental Changes to the Index:*

- (i) If (1) the Trustee has been notified by the Calculation Agent that the Index has ceased to be published or (2) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of (A) the Issuer be materially prejudicial to the interests of the Issuer, or (B) the Trustee (acting solely on the advice of the Indexation Adviser), be materially prejudicial to the interests of the Noteholders, the Trustee will give written notice of such occurrence to the Issuer (in the case of (1) or (2)(B) above) and the Issuer will give written notice of such occurrence to the Trustee (in the event of (2)(A) above), and the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) together shall seek to agree for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Noteholders in no better and no worse a position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.
- (ii) If the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) fail to reach agreement as mentioned above within 20 London Business Days (as defined in Condition 4(b)(vi)) following the giving of notice as mentioned in paragraph (i), a bank or other person in London shall be appointed by the Issuer and the Trustee or, failing agreement on and the making of such appointment within 20 London Business Days following the expiry of the 20 London Business Day period referred to above, by the Trustee (acting solely on the advice of the Indexation Adviser) (in each case, such bank or other person so appointed being referred to as the **Expert**), to determine for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Noteholders in no better and no worse a position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Issuer and the Trustee in connection with such appointment shall be borne by the Issuer.
- (iii) The Index shall be adjusted or replaced by a substitute index as agreed by the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, with effect from such date as may be agreed by the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) or as determined by the Expert, as the case may be, and references in these Conditions to the "Index" and to any "Index Figure" shall be deemed amended in such manner as the Trustee (acting solely on the advice of the Indexation Adviser) and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be binding upon the Issuer, the Trustee, the Noteholders and the Couponholders, and the Issuer shall give notice to the Noteholders in accordance with Condition 14 of such amendments as promptly as practicable following such agreement or determination.

## 6. Payments

(a) *Method of Payment:*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on,

a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland and Sydney, respectively); and

- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

References to **Specified Currency** will include any successor currency under applicable law.

- (b) *Presentation of Notes and Coupons:* Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against surrender of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than RPI-Linked Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or RPI-Index Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant global Note, where applicable, against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such global Note by such Paying Agent or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

The holder of a global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Clearstream, Luxembourg or Euroclear as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Clearstream, Luxembourg or Euroclear, as the case

may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such global Note.

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of this Note is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of this Note will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(c) *Payment Day:* If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in: (A) in the case of Notes in definitive form only, the relevant place of presentation; and (B) each Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland and Sydney, respectively) or (2) in relation to any sum payable in euro a day on which the TARGET2 System is open.

(d) *Interpretation of Principal and Interest:* Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 or pursuant to any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(f)(iii)); and
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## 7. Redemption and Purchase

(a) *At Maturity:* Unless previously redeemed or purchased and surrendered for cancellation as specified below, each Note (including each RPI-Linked Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms (subject, in the case of RPI-Linked Redemption Notes, to adjustment in accordance with Condition 5(b)) in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

(b) *Redemption for Tax Reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an RPI-Linked Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an RPI-Linked Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of the aforementioned notice that:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (h) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) *Redemption for Index Reasons:* In the case of RPI-Linked Redemption Notes, if either (i) the Index Figure for three consecutive months is required to be determined on the basis of an Index Figure previously published as provided in Condition 5(c)(ii)(B) or Condition 5(c)(iii)(B), as applicable, and the Trustee has been notified by the Calculation Agent that publication of the Index has ceased or (ii) notice is published by Her Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt, and (in either case) no amendment or substitution of the Index shall have been advised by the Indexation Adviser to the Issuer and such circumstances are continuing, the Issuer may, upon giving not more than the maximum period and not less than the minimum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14, redeem all, but not some only, of the Notes at their Early Redemption Amount referred to in paragraph (h) below together (if applicable) with interest accrued to and (but excluding) the date of redemption.

(d) *Redemption at the Option of the Issuer (Issuer Call):* This Condition 7(d) applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation or indexation reasons), such option being referred to as an **Issuer Call**. The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 7(d) for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer shall, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms (subject, in the case of RPI-Linked Redemption Notes, to adjustment in accordance with

Condition 5(b)) together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date (such interest, in the case of RPI-Linked Interest Notes only, to be adjusted in accordance with Condition 5(b)). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than the Higher Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption, and (ii) in the case of Redeemed Notes represented by a global Note, be selected in accordance with the rules of Clearstream, Luxembourg and/or Euroclear (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 10 days prior to the date fixed for redemption.

(e) *Redemption at the Option of the Noteholders (Investor Put):* This Condition 7(e) applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an **Investor Put**. The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 7(e) for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in the applicable Final Terms (subject, in the case of RPI-Linked Redemption Notes, to adjustment in accordance with Condition 5(b)) together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date (such interest, in the case of RPI-Linked Interest Notes only, to be adjusted in accordance with Condition 5(b)).

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable unless the Issuer otherwise agrees.

(f) *Early Redemption Amounts:* For the purpose of paragraphs (b) and (c) above and Condition 10, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at their nominal amount; or

- (iii) in the case of Zero Coupon Notes, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

Early Redemption Amount =  $RP \times (1 + AY)^y$

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

$y$  is the Day Count Fraction specified in the applicable Final Terms which will either be (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each in the case of any currency other than Sterling and euro and on the basis of a year of 365 days, or 366 days in the case of a leap year, in the case of Sterling and euro from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual 360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

- (iv) in the case of RPI-Linked Notes, at the outstanding nominal amount thereof, subject to adjustment in accordance with Condition 5(b).

(g) *Purchases:* The Issuer or any of its Subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

(h) *Cancellation:* All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and Notes purchased and surrendered for cancellation pursuant to paragraph (f) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(i) *Late payment on Zero Coupon Notes:* If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c), (d) or (e) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (f)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14.

## 8. Taxation

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been received in respect of the Notes or Coupons, as the case

may be, in the absence of such withholding or deduction; except that no such additional amount shall be payable with respect to any Note or Coupon:

- (i) presented for payment by or on behalf of a Noteholder or Couponholder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note or Coupon; or
- (ii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6 — Payments); or
- (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (v) presented for payment in the United Kingdom; or
- (vi) where such withholding or deduction would have been avoided by the Noteholder or Couponholder (or a person on behalf of the Noteholder or Couponholder) complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any relevant taxing authority of or in the United Kingdom.
- (vii) As used herein, the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto, and no additional amounts shall be payable in respect of such withholding or deduction.

## 9. Prescription

The Notes, and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

## 10. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), (but, in the case of the happening of any of the events mentioned in sub-paragraphs (ii) to (viii) inclusive below (other than the winding-up of, or the appointment of an administrative or other receiver of the whole or any part of the undertaking or assets of, the Issuer), only if the Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice to the Issuer that the Notes are, and they shall accordingly thereby forthwith become, immediately due and payable at the Early Redemption Amount (as defined in Condition 7(f)), together with accrued interest as provided in the Trust Deed, if any of the following events shall occur and be continuing:

- (i) if default is made for a period of seven days or more in the payment of any principal in respect of the Notes or any of them or for a period of 14 days or more in the payment of any interest in respect of the Notes or any of them; or
- (ii) if an order is made or an effective resolution passed for winding-up the Issuer or any Material Subsidiary (as defined below) (except, in the case of a Material Subsidiary, a winding-up for the purpose of a reconstruction or amalgamation, the terms of which have previously been approved in writing by the Trustee, or a voluntary solvent winding-up in connection with the transfer of all or the major part of the business, undertaking and assets of such Material Subsidiary to the Issuer or a Subsidiary); or
- (iii) if the Issuer or any Material Subsidiary stops or threatens to stop payment generally or ceases or threatens to cease to carry on all or substantially all of its business (except, in the case of a Material Subsidiary, a cessation or threatened cessation for the purpose of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee, or in connection with the transfer of all or substantially all of the business, undertaking and assets of such Material Subsidiary to the Issuer or a Subsidiary); or
- (iv) if an encumbrancer takes possession or an administrative or other receiver is appointed of the whole or any material part of the undertaking or assets of the Issuer or any Material Subsidiary or if a distress, execution, attachment, arrestment, diligence or any similar proceeding is levied or enforced upon or sued out against any of the chattels or property of the Issuer or any Material Subsidiary and is not discharged within 21 days; or
- (v) if the Issuer or any Material Subsidiary is deemed unable to pay its debts within the meaning of Section 123(1)(b), (c) or (d) of the Insolvency Act 1986, or the Issuer or any Material Subsidiary becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or the Issuer or any Material Subsidiary otherwise becomes insolvent, or the Issuer or any Material Subsidiary suspends making payments (whether of principal or interest) with the respect to all or any class of its debts or announces an intention to do so or if an administration order in relation to the Issuer or any Material Subsidiary is made; or
- (vi) if any kind of composition, scheme of arrangement, compromise or other similar arrangement involving the Issuer or any Material Subsidiary and the creditors of any of them generally (or any class of such creditors) is entered into or made; or
- (vii) if any indebtedness for Moneys Borrowed (as defined below) having an aggregate outstanding principal amount of at least £25,000,000 (or its equivalent in any other currency or currencies at the date declared due) of the Issuer or any Material Subsidiary shall be or be declared due and payable prior to the date on which the same would otherwise become due and payable by reason of the occurrence of an event of default (howsoever described) in relation thereto or the Issuer or any Material Subsidiary defaults in the repayment of any indebtedness for Moneys Borrowed having an aggregate outstanding principal amount of at least £25,000,000 (or its equivalent in any other currency or currencies at the date of maturity) at the maturity thereof or at the expiry of any applicable grace period or any guarantee of any such indebtedness given by the Issuer or any Material Subsidiary shall not be paid when due and called upon save in any such case where there is a *bona fide* dispute as to whether payment or repayment is due; or
- (viii) if default is made by the Issuer in the performance or observance of any obligation, condition or provision binding on it under the Notes or the Trust Deed (other than any obligation for the payment of any principal or interest in respect of the Notes) and, except where, in the opinion of the Trustee, such default is not capable of remedy (in which case the Notes will become due and repayable subject to, and immediately upon, the Trustee certifying and giving notice as aforesaid), such default continues for 30 days after written notice thereof by the Trustee to the Issuer requiring the same to be remedied.

**Material Subsidiary** means (a) a Subsidiary of the Issuer whose profits before tax and extraordinary items or whose net assets (in each case attributable to the Issuer) calculated by reference to its latest audited accounts represent ten (10) per cent. or more of the consolidated profits before tax and extraordinary items or net assets (in each case attributable to the Issuer), as the case may be, of the Issuer and its Subsidiaries similarly calculated, all as more particularly defined in the Trust Deed, and (b) in addition, for the purposes of sub-paragraph (viii) above, a Subsidiary which has outstanding any notes, bonds or other like securities of which the

Trustee is trustee. A certificate of any two directors of the Issuer that in their opinion a Subsidiary is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

**Moneys Borrowed** means (a) borrowed moneys, and (b) liabilities under any note, bond, bill, debenture, loan stock or other security in each case issued for cash or in respect of acceptance credit facilities or as consideration for assets or services but excluding such liabilities incurred in relation to the acquisition of goods or services in the ordinary course of trading.

At any time after the Notes become due and repayable and have not been repaid, the Trustee may at its discretion and without further notice take such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under the Trust Deed and the Notes and the relative Coupons, but it shall not be bound to take any such proceedings or any other action unless (i) it shall have been so directed by an Extraordinary Resolution of the holders of the Notes or so requested in writing by holders of at least one-fifth in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No holder of a Note, or of a Coupon appertaining thereto, shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing.

## **11. Replacement of Notes, Coupons and Talons**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 14, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

## **12. Agent and Paying Agents**

The names of the initial Agent in respect of the Notes and the other initial Paying Agents in respect of the Notes and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is, with the prior written approval of the Trustee, entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent (which may be the Agent) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or any other relevant authority;
- (ii) the Issuer undertakes that it will ensure that it maintains at all times a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with or introduced in order to confirm to, such Directive;
- (iii) there will at all times be an Agent and, in the case of RPI-Linked Notes, a Calculation Agent; and
- (iv) so long as the Notes are in definitive form, there will at all times be a Paying Agent in a jurisdiction in Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 6(b). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

## **13. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any

other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

#### **14. Notices**

All notices regarding the Notes will be valid if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* or any other daily newspaper in London approved by the Trustee or, if this is not possible, in another English language daily newspaper approved by the Trustee with general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the first date on which publication has been made in all the required newspapers.

Until such time as any definitive Notes are issued, there may (provided that, in the case of Notes listed on a stock exchange or admitted to trading by any other relevant authority, such stock exchange or other relevant authority permits), so long as the global Note(s) is or are held in its/their entirety on behalf of Clearstream, Luxembourg and Euroclear, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Clearstream, Luxembourg and Euroclear for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the day after the day on which the said notice was given to Clearstream, Luxembourg and Euroclear.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a global Note, such notice may be given by any holder of a Note to the Agent via Clearstream, Luxembourg and/or Euroclear, as the case may be, in such manner as the Agent and Clearstream, Luxembourg and/or Euroclear, as the case may be, may approve for this purpose.

#### **15. Meetings of Noteholders, Modification and Waiver**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions, the Notes, the Coupons or certain provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee or by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of these Conditions, the Notes or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or Coupons) or certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two- thirds, or at any adjourned such meeting not less than a clear majority, in nominal amount of the Notes 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-fourths 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-fourths in principal amount of the Notes for the time being outstanding or (iii) consent 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 holders of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders shall be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to any waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, or may determine that any condition, event or act which, but for such determination, would constitute an Event of Default, shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of these Conditions, the Notes, the Coupons 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 is, in the opinion of the Trustee, proven. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

## **16. Further Issues**

The Issuer shall be at liberty from time to time (but subject always to the terms of the Trust Deed) without the consent of the Noteholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## **17. Substitution**

The Trustee may, without the consent of the Noteholders or the Couponholders, agree with the Issuer to the substitution of any new holding company or Subsidiary of the Issuer in place of the Issuer (or of any previous substitute under this provision) as the principal debtor under the Notes, the Coupons and the Trust Deed, subject to the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and certain other conditions set out in the Trust Deed being complied with.

## **18. Indemnification**

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 repayment unless indemnified and/or secured and/or prefunded to its satisfaction.

## **19. Governing Law**

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

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

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

## **Use of Proceeds**

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes which include making a profit or may be applied for particular uses as determined by the Issuer. If, in respect of an issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## Tesco Personal Finance PLC

### Overview

The Issuer is a wholly owned subsidiary of Tesco Personal Finance Group Limited (**TPFG**). TPFG in turn is a wholly owned subsidiary of Tesco PLC (**Tesco**), the holding company of the Tesco group of companies (the **Tesco Group**). The Issuer is engaged in the provision of banking and general insurance services. The Issuer is primarily focussed on providing financial services and products to personal customers in the UK and the Republic of Ireland. The Issuer also owns 49.9% of Tesco Underwriting Limited, an authorised insurance company.

### History and Development of Tesco Personal Finance PLC

TPFG was established in 1997 originally as a joint venture between Tesco and the Royal Bank of Scotland plc (**RBS**). In December 2008, Tesco acquired RBS's 50 per cent. shareholding in TPFG to become the owner of all of the shares in TPFG.

The Issuer was incorporated in Scotland under the name Roboscot (27) Limited on 5th March, 1997, as a private limited company with limited liability. It changed its name to Tesco Personal Finance Limited with effect from 25th April, 1997. It was re-registered as a public limited company under the legal name Tesco Personal Finance PLC pursuant to the Companies Act 1985 on 22nd December, 2008. The Issuer rebranded its business by changing its trading name to Tesco Bank on 29th June, 2009, which was part of the Issuer's strategic objective to communicate its broadened banking proposition to its customers.

The registered office of the Issuer is Interpoint Building, 22 Haymarket Yards, Edinburgh EH12 5BH. The telephone number of the Issuer's registered office is +44(0)131 479 1000. The company number of the Issuer is SC173199.

### Business Overview

The Issuer offers a range of retail financial service products to customers predominantly located within the United Kingdom. As at 31st August, 2013, the Issuer had more than 6.8 million accounts and policies across its range of banking and insurance products. The products and services offered by the Issuer are available online (including mobile), over the phone and in certain cases, through Tesco stores.

The Issuer offers a range of retail financial service products through the following categories: general insurance, selected life insurance, credit cards, personal loans, personal savings products and mortgages. It also manages a network of automated teller machines (**ATMs**) on behalf of the Tesco Group.

The Issuer initially utilised the business systems and infrastructure of RBS to offer and maintain a significant proportion of its products and services under a joint venture. However, it completed the migration of its business systems and infrastructure and customer support from RBS in May 2012.

Following the completion of the migration to the Issuer's operational platforms, a revised organisational structure was implemented, creating two business units, one focused on Banking activity and the second on Insurance. This has created two business units with full responsibility for the end to end customer experience in their respective markets.

The Issuer leverages off Tesco's customer base, IT infrastructure, the "Clubcard" database and franchise and the strength of the Tesco brand and a significant proportion of the Issuer's United Kingdom customer base are existing Tesco Group customers that utilise other retail services offered by Tesco. The "Clubcard" reward points incentive scheme operated by Tesco is a significant factor in the Issuer's ability to attract new customers and retain existing customers.

### *Personal Banking*

The Issuer's banking products include savings products (including instant access, ISAs and internet and fixed rate saver accounts) and lending products (loans, credit cards and mortgages).

As at 31st August, 2013, the Issuer had approximately 567,000 savings account customers and total savings balances of £5.2 billion.

As at 31st August, 2013, the value of the Issuer's personal loan book was £2.5 billion and the Issuer had approximately 336,000 personal loan customers.

As at 31st August, 2013, the Issuer had total credit card receivables of £3.3 billion and 2.14 million active credit card accounts.

As at 31st August 2013, the Issuer had £457 million of mortgage balances outstanding.

#### *Automated Teller Machines*

The Issuer manages a network of ATMs on behalf of the Tesco Group. Tesco ATMs represent one of the largest networks in the United Kingdom, with over 4,000 ATMs situated in properties controlled by the Tesco Group. The network experiences a high level of usage as a result of the ATMs' locations within Tesco stores, processing approximately 400 million cash withdrawal transactions each year. The ATM business generates income in the form of interchange fees which arise through the LINK system on each occasion when a customer uses an ATM.

#### *General Insurance*

The Issuer's insurance business provides a wide range of general insurance and selected life insurance products to customers in the UK and the Republic of Ireland. The general insurance product range includes motor, home, pet and travel insurance. The business involves the distribution of products underwritten by third-party insurers and the Issuer's associate company, Tesco Underwriting Limited. The Issuer has primary responsibility for the sales and servicing of motor and home insurance, whereas other insurance products are distributed under commission-based introducer arrangements.

As at 31st August, 2013, the Issuer had approximately 2.04 million insurance policies in issue. The Issuer is one of the leading distributors of motor insurance in the UK with approximately 936,000 car insurance policies in issue as at 31st August 2013.

Since October 2010, the majority of home and motor insurance business sold has been underwritten by Tesco Underwriting Limited, which is an authorised insurance company owned 49.9 per cent. by the Issuer and 50.1 per cent by Ageas (UK) Limited.

### **International Business**

#### *Republic of Ireland*

The Issuer is authorised to issue credit cards within the Republic of Ireland and as at 31st August, 2013, had approximately 40,000 credit card accounts. Under a distribution arrangement, the Issuer also acts as an introducer by marketing car, home and pet insurance underwritten by RSA Insurance Ireland Limited to its customers.

#### **Funding and Liquidity**

The majority of the Issuer's funding position is represented by customer deposits, with total balances of £5.2 billion as at 31st August, 2013. The Issuer offers a range of savings products, including instant access, internet, ISAs and fixed-rate term products.

In addition, the Issuer has issued a total of £385 million of Notes under this Programme and has developed the ability to access significant amounts of central bank funding and contingent liquidity. In particular, the Issuer has pledged eligible assets, including certain of its personal loans and securitised notes backed by certain of its credit card receivables, as collateral for borrowings of UK Treasury Bills under the Bank of England's "Funding for Lending Scheme". As at 31st August, 2013, the Issuer had drawn £1,144 million of UK Treasury Bills under the Funding for Lending Scheme. See also "*Risk Factors – The Issuer's business is subject to inherent risks concerning liquidity and funding*".

The Issuer maintains a liquid asset portfolio of high quality securities and additional treasury assets which also offer a high degree of liquidity. These assets can be used as collateral for short-term central bank and market borrowings under repurchase and similar agreements. As at 31st August, 2013, the Issuer's liquid asset portfolio totalled £1.3 billion.

## **Business Trends**

The Issuer does not anticipate any material change in the type of activities it conducts in the current financial year. The Issuer is currently building its current account platform and proposition in readiness for launching in 2014 following the recent introduction of the industry wide switching service.

UK retail banks such as the Issuer are exposed to general economic conditions in the United Kingdom, which remain subdued with significant downside risks including weak consumer confidence, pressure on real incomes and increased unemployment.

## Administrative, Management and Supervisory Bodies

### *Board of Directors of the Issuer*

As at the date of this Offering Circular, the Directors of the Issuer, the business address of each of whom is Interpoint Building, 22 Haymarket Yards, Edinburgh EH12 5BH, and their functions and principal activities outside the Issuer, where these are significant with respect to the Issuer, are as follows:

| Name   | Principal activities outside the Issuer   |
|--|---|
| Graham Pimlott<br><i>Chairman</i>                        | Non-Executive Chairman of Tesco Personal Finance Group Limited<br>Non-Executive Chairman of Grosvenor Limited<br>Non-Executive Director of Grosvenor UK Finance plc<br>Director of Graham Pimlott Limited   |
| Benny Higgins<br><i>Chief Executive</i>                  | Executive Director of Tesco Personal Finance Group Limited<br>Director of Scottish Financial Enterprise<br>Member of the Scottish Government's Financial Services Advisory Board<br>Member of Treasury Financial Inclusion Taskforce<br>Member of Glasgow Economic Leadership Board<br>Non-Executive Director of The Buccleuch Estates Ltd<br>Member of the 2014 Commonwealth Games Legacy Committee<br>Member of the Council of the Institute and Faculty of Actuaries   |
| Iain Clink<br><i>Deputy Chief Executive</i>              | Executive Director of Tesco Personal Finance Compare Limited<br>Executive Director of Tesco Personal Finance Group Limited  |
| Rick Hunkin<br><i>Chief Risk Officer</i>                 | Executive Director of Tesco Personal Finance Group Limited  |
| Peter Bole<br><i>Chief Financial Officer</i>             | Executive Director of Tesco Personal Finance Compare Limited<br>Executive Director of Tesco Personal Finance Group Limited<br>Director of Tesco Underwriting Limited  |
| Adrian Hill<br><i>Independent Non-Executive Director</i> | Non-Executive Director of Tesco Personal Finance Group Limited<br>Director of:<br>British Credit Trust Collections Ltd<br>British Credit Trust Conduit Ltd<br>British Credit Trust Finance Ltd<br>British Credit Trust Holdings Ltd<br>British Credit Trust Ltd<br>British Credit Trust Management Ltd<br>Consumer Finance Acquisitions Co Ltd<br>Swiftarrow Services Ltd<br>BCT Funding Ltd<br>BCT Motor Finance 1 Ltd<br>BCT Motor Finance 2 Ltd<br>Metis Bidco Limited<br>Davies Group Limited<br>Davies Holdings Limited<br>Farradane Limited<br>Opportunity Microfinance Investments Limited<br>Bayv Investments Limited<br>Bayv Investments (EBT) Limited<br>Opportunity International United Kingdom<br>Stirring Stuff Limited |

| <b>Name</b>  | <b>Principal activities outside the Issuer</b>   |
|--|--|
| Gareth Bullock<br><i>Non-Executive Director</i>            | H&H Group Ltd<br>Key Group Topco Ltd<br><br>Non-Executive Director of Tesco plc<br>Non-Executive Director of Tesco Personal Finance Group Limited<br>Senior Independent Director of Spirax Sarco Engineering PLC<br>Non-Executive Director of Global Market Group Limited<br>Member of Advisory Council of G3 Good Governance Group  |
| Stuart Chambers<br><i>Non-Executive Director</i>           | Non-Executive Director of Tesco plc<br>Non-Executive Director of Tesco Personal Finance Group Limited<br>Non-Executive Chairman of Rexam Plc   |
| Deanna Oppenheimer<br><i>Non-Executive Director</i>        | Non-Executive Director of Tesco plc<br>Non-Executive Director of Tesco Personal Finance Group Limited<br>Non-Executive Director NCR Corporation<br>Trustee of University of Puget Sound, Tacoma<br>Advisory Member of Brooks Sports Inc<br>Advisory Member of Finsphere<br>Non Executive Director of AXA Global<br>Advisor to Bain Consulting through Cameoworks LLP<br>Advisor to Anthemis Group through Cameoworks LLP |
| Ray Pierce<br><i>Independent Non-Executive Director</i>    | Non-Executive Director of:<br>Tesco Personal Finance Group Limited   |
|  | Director of:<br>Succession Advisory Services Limited<br>National Motor Museum Trading Ltd<br>National Motor Museum Trust Ltd<br>New Quay Holdings Ltd<br>New Quay Ltd<br>Quay Dynamics Ltd<br>Puma High Income VCT plc<br>Paragroup Ltd<br>Paragroup Management Ltd<br>Optionis Group Ltd<br>Purely Accounting (Holdings) Services Ltd<br>Tesco Underwriting Limited   |
| Paul Hewitt<br><i>Independent Non-Executive Director</i>   | Non-Executive Director of Tesco Personal Finance Group Limited<br>Chairman of OB10 Ltd<br>Chairman of The Good Care Group London Ltd<br>Chairman of Four Times Enterprises Ltd<br>Chairman of Shop Direct Financial Services Ltd<br>Chairman of RJ Kiln & Co Ltd<br>Chairman of Validus IVC Ltd<br>Trustee of National Employment Savings Trust  |
| Simon Machell<br><i>Independent Non-Executive Director</i> | Non-Executive Director of Tesco Personal Finance Group Limited   |

Except as described in the next paragraph, none of the Directors of the Issuer have any actual or potential conflict between their duties to the Issuer and their private interests or other duties as listed above.

Gareth Bullock's interest in Tesco plc; Stuart Chambers's interest in Tesco plc; Adrian Hill's interest in Metis Bidco Limited, Davies Group Limited and Davies Holdings Limited; Deanna Oppenheimer's interest in Tesco plc

and NCR Corporation; Ray Pierce's interest in Paragroup Ltd, Paragroup Management Ltd, Optionis Group Ltd, Puma High Income VCT plc and Tesco Underwriting Limited; and Graham Pimlott's consultancy arrangement with Stephen Warrington of Diamond Management & Technology Consultants Limited (part of PricewaterhouseCoopers LLP), are all principal activities relating to entities with which the Issuer has or may have a business relationship and, as a result, each such Director may have a potential conflict of interest between his or her duty to the Issuer and his or her duty to the respective entity in which he or she has a private interest. For example, a potential conflict of interest could arise if such Director is called upon to vote in relation to a transaction between the Issuer and a company of which he or she is a Director.

The Board of Directors monitors potential and actual conflicts of interest and has processes to deal with them. Directors of the Issuer are required to disclose potential and actual conflicts of interest to the Board and the Board addresses potential and actual conflicts in accordance with legal requirements.

As a matter of English law, each Director of the Issuer is under a duty to act honestly and in good faith with regard to the best interests of the Issuer, regardless of any other private interests such Director may have.

#### *Board*

The Board has overall responsibility for the business. It sets the strategic aims for the business, in line with delegated authority from the shareholder and in some circumstances subject to shareholder approval, within a framework of prudent controls, which are designed to enable risk to be assessed and managed. The Board satisfies itself that financial controls and systems of risk management are robust. In order to support effective governance and management of the wide range of responsibilities the Board has established the following four sub-committees:

#### *Board Risk Committee (BRC)*

The BRC is the primary risk governance committee of the Group's Board with responsibilities and delegated authorities for reviewing and monitoring the key risks inherent in the business, the system of controls necessary to manage such risks, and presentation of its findings to the Board. Specific BRC responsibilities include considering and making recommendations to the Board in relation to the Group's risk appetite, ensuring that overall business strategy is informed by and aligned with the Board's risk appetite, identifying and assessing possible economic trends and risks and the potential impacts on the business, reviewing and where appropriate, challenging the outputs from the Asset & Liability Management Committee (**ALCO**) and the Risk Management Committee (**RMC**), and overseeing that a supportive risk culture is appropriately embedded.

#### *Audit Committee*

The role of the Audit Committee includes: reviewing and recommending to the Board for approval the financial statements; monitoring accounting policies and practices for compliance with relevant standards; reviewing the scope and results of the annual external audit; maintaining a professional relationship with and recommending the appointment, reappointment and removal of the external auditors; examining arrangements in place to enable management to ensure compliance with requirements and standards under the regulatory system; and overseeing the internal audit function and the internal audit programme.

#### *Remuneration Committee*

The role of the Remuneration Committee is: to determine and approve remuneration arrangements for Remuneration Code staff within the Issuer; to approve a remuneration framework for employees of the Issuer below the leadership level; to ensure that, where appropriate, remuneration is aligned with Tesco Plc Group Reward Policy; to ensure the levels and structure of remuneration are designed to attract, retain, and motivate the management talent needed to run the Group's business in a way which is consistent with the risk appetite and ongoing sustainability of the business and to be compliant with all applicable legislation, regulation and guidelines

### *Disclosure Committee*

The role of the Disclosure Committee is to review on behalf of the Board formal company documents which are either destined for publication or which are, due to their size and complexity, better reviewed in detail by a smaller group than in the Board or Board Committee meeting.

The Disclosure Committee is also responsible for ensuring the Group's compliance with relevant legal and regulatory obligations in relation to the timing, accurate disclosure and announcement of information and the treatment of inside information.

### *Executive Committee*

The Group's Board has delegated day to day running of the business to the Chief Executive. The Chief Executive has established the Executive Committee (ExCo) to assist in the management of the business and deliver against the strategy in an effective and controlled way. The ExCo is comprised of the Chief Executive, the main Board Executive Directors and functional heads. The ExCo provides general executive management of the business and facilitates cross-functional communication and liaison. The relevant ExCo member is responsible to the Chief Executive and to the Board, for managing performance in line with the Group's long-term plan, the strategy, the annual budget and the risk appetite.

In order to ensure that high level matters which require cross functional oversight and engagement are dealt with appropriately, the ExCo has established a series of subcommittees as detailed below, which report directly to ExCo.

### *Risk Management Committee*

The principal role of RMC is to ensure that there is effective management and control of all key risks and issues facing the Issuer.

Six sub-committees support the RMC in discharging its duties: the Fraud, Operational & Regulatory Risk Committee, the Credit Risk Management Committee, the Wholesale Credit Risk Forum, the Supplier Management Group, the Operational Resilience Steering Group and the Banking Price-Models Committee.

### *Asset & Liability Management Committee*

The principal role of the ALCO is to optimise the Group's balance sheet structure and to identify, manage and control the Group's balance sheet risks in the execution of its chosen business strategy.

The ALCO has three sub-committees, the Liquidity Management Forum, the Contingency Funding Committee and the Market Risk Forum.

The other sub-committees of ExCo are the Project Assessment Committee, the Insurance Executive Committee, the People Matters Group, the Banking Executive Committee and the Conduct Committee.

## **Regulation**

### *Overview of United Kingdom Regulation*

The cornerstone of the regulatory regime in the United Kingdom is the Financial Services and Markets Act 2000 (**FSMA**). The Financial Conduct Authority (the FCA) and the Prudential Regulatory Authority (the **PRA**) have responsibility under the FSMA for the regulation and oversight of a wide range of financial services activities in the United Kingdom. The FCA and the PRA are responsible for the authorisation and supervision of institutions that perform regulated activities as defined in the FSMA. As part of their authorisation process, the FCA and the PRA review applicants to ensure that they satisfy the necessary criteria, including suitability, competence and financial soundness, to engage in regulated activity.

Pursuant to the Financial Services Act 2012, the tripartite regulatory system, consisting of the Bank of England, the FSA and the Treasury, was replaced by a new regulatory structure on 1st April, 2013 with the Bank of England at the centre of the framework. The new structure comprises (i) the Financial Policy Committee (**FPC**), a committee of the Bank of England and which has responsibility for amongst other matters, monitoring and responding to systemic risks on a macro-prudential level; (ii) the PRA, a subsidiary of the Bank of England and

which has responsibility for prudential regulation of deposit-taking institutions (including the Issuer, insurers and certain investment banks) and (iii) the FCA, which is a separate regulator responsible for regulating all conduct of business matters across the retail and wholesale and market sectors and is responsible for prudentially regulating firms which are not prudentially regulated by the PRA. Under the new structure the FSA has ceased to exist.

### ***Regulatory Approach of the FCA and PRA***

An overview of the FCA's approach to supervision was set out in a paper entitled "The FCA's approach to advancing its objectives", which was published by the FCA in July 2013. The FCA's operational objectives include securing an appropriate degree of protection for consumers and protecting and enhancing the integrity of the UK financial system. It also has a duty to promote effective competition in the interests of consumers when addressing its consumer protection and market integrity objectives. In the context of its consumer protection objective, it is intended that the FCA will focus on promoting good outcomes for consumers, on being more outward looking and on engaging with consumers, on setting clear expectations for firms, on intervening early to tackle potential risks to consumers and on being tougher and bolder, following a strategy of credible deterrence. The change in regulatory approach represents a significant change in conduct of business regulation and is likely to have a significant impact upon the manner in which the Issuer's compliance with conduct of business requirements is regulated and supervised.

An overview of the PRA's approach to supervision was set out in a paper entitled "The Prudential Regulation Authority's approach to banking supervision", which was published by the PRA in April 2013. Overall it is intended for the PRA to have a judgment based approach, which will have a number of elements, including (i) focusing on the "big picture" and understanding where the main risks to the stability of the financial system lie; (ii) being forward-looking, seeking to assess whether, on the balance of risks, there are vulnerabilities in a firm's business model, capital and liquidity positions, risk management and controls that cast doubt into its future financial soundness and (iii) where supervisory risks are identified, taking action at an early stage to reduce the probability of disorderly failure. The change in regulatory approach represents a significant change in prudential supervision and may have a significant impact upon the manner in which the Issuer is regulated and supervised.

A risk based approach for the supervision of all financial institutions is adopted by the PRA and the starting point for the PRA's supervision is based on a systematic analysis of an institution's risk profile. Having determined the level of inherent risk, a minimum capital adequacy requirement is established, which the institution is required to meet at all times. The FCA's supervision framework is built around three supervisory pillars that deliver different aspects of supervision, consisting of (i) a firm systematic framework, which ensures that firms behave in a way that minimises the risk they represent; (ii) event supervision, which aims to react rapidly and deal efficiently with events that may lead to potential or actual harm; and (iii) issues and products supervision, which looks at issues which cut across a number of firms or sectors and where there is a risk of detriment to consumers.

The FCA and PRA carry out their supervision of United Kingdom financial institutions through the collection of information from a series of returns, on-site reviews, desk based reviews, meetings with senior management and reports obtained from skilled persons.

Thematic reviews continue as well as regular prudential reports required by the PRA. These include operating statements and returns covering (amongst other things) capital adequacy, liquidity, large single exposures and large exposures to related borrowers. Capital adequacy returns of the Issuer are submitted on a periodic basis. Regular non prudential reports required by the FCA include complaints data, daily transaction reporting returns and product sales data.

The FSA Handbook was divided in two – with prudential rules being set out in the new PRA handbook and conduct of business rules in the new FCA Handbook. These handbooks set out rules and guidance across the full range of issues with which financial institutions are required to comply. These include, amongst other things:

- Principles for Businesses — 11 high level principles to which financial institutions are required to adhere.
- Authorisation requirements — these are standards that need to be met in order to be authorised and continue to be met on an ongoing basis.
- Prudential rules — these relate to capital adequacy and liquidity.

- Systems and controls requirements that are appropriate to the volume and complexity of activity undertaken.
- Conduct of Business rules that set out the requirements for aspects such as advising and selling, product disclosure, financial promotions (including compliance with the requirement that such promotions should be clear, fair and not misleading), responsible lending and default.
- Reporting Requirements — these set out periodic reporting requirements and event driven notifications that must be submitted to the FSA.
- Training and Competence rules — these are standards that apply to firms providing, amongst other services, advice to retail customers.
- Code of Market Conduct — this provides further rules and guidance on the market abuse offences set out in the FSMA.

## ***Other Bodies Impacting the Regulatory Regime***

### ***United Kingdom Government***

The United Kingdom Government is responsible for the overall structure of financial regulation and the legislation which governs it. It has no operational responsibility for the activities of the FCA, PRA or the Bank of England. However, there are a variety of circumstances where the FCA, PRA and the Bank of England will need to alert HM Treasury (the representative of the United Kingdom Government) about possible problems, for example, where there may be a need for a support operation or where a problem arises which could cause wider economic disruption.

### ***The Bank of England and HM Treasury***

The Bank of England is at the centre of the new regulatory framework, which came into effect on 1st April, 2013. The new structure includes the FPC, which is a committee of the Bank of England; and (ii) the PRA, which is a subsidiary of the Bank of England. Regulatory responsibility for the settlement systems and recognised clearing houses has also been transferred to the Bank of England.

Under the Banking Act 2009 (the **2009 Act**), actions may be taken by the UK Treasury (the **Treasury**) and the Bank of England pursuant to the special resolution regime, in order to address a situation where all or part of the business of a UK institution with permission to accept deposits under the FSMA, and certain other UK regulated institutions, has encountered, or is likely to encounter, financial difficulties. The 2009 Act gives the Treasury certain wide powers to support the implementation of the stabilisation measures contemplated by the 2009 Act.

The 2009 Act provides the PRA, Bank of England and the Treasury with tools for dealing with failing institutions as part of the special resolution regime. These powers are designed to enable the relevant authorities to deal with and stabilise United Kingdom incorporated institutions with permission to accept deposits pursuant to Part IV of the FSMA (each a **relevant entity**) that are failing or are likely to fail to satisfy certain threshold conditions (within the meaning of section 41 of the FSMA, being the conditions that a relevant entity must satisfy in order to retain its authorisation to perform regulated activities).

### ***United Kingdom Financial Ombudsman Service (FOS)***

The FOS provides customers with a free and independent service designed to resolve disputes where the customer is not satisfied with the response received from the regulated firm. The FOS resolves disputes that cover most financial products and services provided in (or from) the United Kingdom, from insurance and pension plans to bank accounts and investments, for eligible complainants, private individuals and small businesses, charities or trusts. The jurisdiction of FOS includes firms conducting activities under the Consumer Credit Act. Although the FOS takes account of relevant regulation and legislation, its guiding principle is to resolve cases on the basis of what is fair and reasonable; in this regard, the FOS is not bound by law or even its own precedent. The decisions made by the FOS are binding on firms.

### *Financial Services Compensation Scheme*

In the United Kingdom, the Financial Services Compensation Scheme (**FSCS**) is the United Kingdom's statutory fund of last resort for customers of authorised financial services firms. The FSCS can pay compensation to customers if a firm is unable, or likely to be unable, to pay claims against it. The FSCS is funded by levies on firms authorised by the FCA or PRA, including the Issuer.

### *Lending Standards Board*

The Lending Standards Board (formerly the Banking Code Standards Board) is responsible for monitoring and enforcing compliance with the Lending Code, which relates to lending to private customers and small businesses. The Lending Code reinforces the requirements for lenders to act fairly and reasonably when dealing with consumers.

### *United Kingdom Office of Fair Trading (OFT)*

The OFT is the United Kingdom consumer and competition authority. Its regulatory and enforcement powers impact the banking sector in a number of ways. Among other functions, the OFT is responsible for the licensing and supervision of businesses which provide credit to consumers, reviewing proposed mergers, conducting market studies and ensuring compliance with competition and consumer law. The Issuer has a consumer credit licence issued by the OFT. The Financial Services Act 2012 contains provisions enabling the transfer of responsibility for the regulation of consumer credit from the OFT to the FCA. Such transfer is expected to take effect on 1st April 2014 and, based on consultation proposals to date of the government and the FCA, it is expected that the regulatory framework for consumer credit activities will comprise FSMA and its secondary legislation, existing and new FCA rules and guidance and retained provisions in the CCA and its retained secondary legislation and existing and new FCA rules and guidance.

### *United Kingdom Information Commissioner's Office*

This office is responsible for overseeing implementation of the Data Protection Act 1998. This Act regulates, among other things, the retention and use of data relating to individual customers.

The Freedom of Information Act 2000 (the **FOIA**) sets out a scheme under which any person can obtain information held by, or on behalf of, a "public authority" without needing to justify the request. A public authority will not be required to disclose information if certain exemptions set out in the FOIA apply.

### *Independent Commission on Banking*

The Independent Commission on Banking (**ICB**) was established by the United Kingdom Government in June 2010 to examine the banking sector and make recommendations on structural and related non-structural measures to promote stability and competition in the banking sector. The Government has now brought forward primary legislation, the Financial Services (Banking Reform) Bill, which implements a number of the ICB's recommendations. See further "*Legal and regulatory risks – Implementation of banking reform proposals could have a material adverse effect on the Issuer's financial position or prospects or the position of the Noteholders*" on page 39 of this Offering Circular.

### *EU Regulation*

Although the United Kingdom has implemented all of the directives introduced under the Financial Services Action Plan, which was intended to create a single market for financial services across the EU, these directives are regularly reviewed at EU level and could be subject to change. The Issuer will continue to monitor the progress of these initiatives and assess the likely impact on its business.

EU directives, which are required to be implemented in EU Member States through national legislation, have a strong influence over the framework for supervision and regulation of financial services in the United Kingdom. The directives aim to harmonise financial services regulation and supervision throughout the EU by setting standards in key areas such as capital adequacy, access to financial markets, consumer protection and

compensation schemes. There is an increasing use of regulations at the EU level, which are directly applicable, such as in relation to capital requirements, derivatives and market abuse.

Financial institutions, such as the Issuer, are primarily regulated in their home state by a local regulator but the EU directives prescribe criteria for the authorisation of such institutions and the prudential conduct of business supervision applicable to them. The system of financial supervision in the EU includes the European Systemic Risk Board and three sectoral authorities: the European Banking Authority, European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority. Whilst regulation and supervision of individual institutions is primarily by the local regulator in the institution's home state, these authorities have been given far reaching powers which may in certain circumstances enable them to take action directly against an individual institution, such as the Issuer.

### ***Other International Regulation***

The Issuer has limited exposure to jurisdictions outside the United Kingdom and is subject to minimal reporting requirements and controls imposed by the relevant central banks and regulatory authorities.

### ***Current Regulatory Themes***

Regulatory themes which have a current bearing on the business of the Issuer include, but are not limited to, the following:

- enhanced capital and liquidity requirements under Basel III, the CRD IV Directive and the CRR, and Solvency II - see further "*Legal and Regulatory risks*" on pages 36 to 41 of this Offering Circular;
- continued structural reform of the banking industry, following the recommendations of the Independent Commission on Banking and recommendations of the EU high-level expert group on reforming the structure of the EU banking sector, chaired by Ekki Liikanen - see further "*Legal and Regulatory risks*" on pages 36 to 41 of this Offering Circular;
- increased political and regulatory scrutiny of the banking industry and continued focus on conduct risk and provision for customer redress; and
- the development of special resolution powers under the Banking Act 2009, the proposed Crisis Management Directive and related legislation, including the potential for senior debt instruments such as the Notes to be written down - see further "*Legal and Regulatory risks*" on pages 36 to 41 of this Offering Circular.

### ***Competition***

The ICB's final report in September 2011 recommended that competition should be central to financial regulation and mentioned that the OFT should consider making a market investigation reference to the Competition Commission by 2015 if sufficient improvements in, among other things, the retail banking sector had not been made by that time. In response the OFT opened a programme of work designed to address the need for the retail banking sector to be more consumer focused, to be less concentrated and to have lower barriers to entry and expansion such that there is new entry by credible players. This regulatory focus on the retail banking industry has given rise to a number of market studies including the market study into personal current accounts. The OFT has also undertaken research programmes relating to the provision of information to customers. In parallel to the OFT's work, the FCA has launched its own programme which includes a mortgage market review (as to which see "*Risk Factors – Legal and regulatory risks – The Issuer's banking businesses are subject to regulatory requirements which are subject to change*" in this Offering Circular) and market studies into insurance "add-ons" and the UK cash savings market. In light of the authorities' focus on the financial services sector, it is possible that aspects of the retail banking industry may be included in any market investigation reference pursuant to section 131 of the Enterprise Act 2002.

## Clearing and Settlement

### Notes

The Issuer may make applications to Clearstream, Luxembourg and/or Euroclear for acceptance in their respective book-entry systems in respect of any Series of Notes. A temporary global Note and/or a permanent global Note without coupons may be deposited with a common depositary or common safekeeper, as the case may be, for Clearstream, Luxembourg and/or Euroclear or an alternative clearing system as agreed between the Issuer and Dealer. Transfers of interests in such temporary global Notes or permanent global Notes will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear or, if appropriate, the alternative clearing system. Each global Note deposited with a common depositary or common safekeeper, as the case may be, on behalf of Euroclear and Clearstream, Luxembourg will have an ISIN and a Common Code.

### CREST Depository Interests

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

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

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

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

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

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

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

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

- (a) CDI Holders will not be the legal owners of the Underlying Notes. The CDIs are separate legal instruments from the Underlying Notes to which they relate and represent an indirect interest in such Underlying Notes.
- (b) The Underlying Notes themselves (as distinct from the CDIs representing indirect interests in such Underlying Notes) will be held in an account with a custodian. The custodian will hold the Underlying Notes through a Relevant Clearing System. Rights in the Underlying Notes will be held through custodial and depositary links through the appropriate Relevant Clearing Systems. The legal title to the Underlying Notes or to interests in the Underlying Notes will depend on the rules of the Relevant Clearing System in or through which the Underlying Notes are held.
- (c) Rights under the Underlying Notes cannot be enforced by CDI Holders except indirectly through the intermediary depositaries and custodians described above. The enforcement of rights under the Underlying Notes will therefore be subject to the local law of the relevant intermediary. The rights of CDI Holders to the Underlying Notes are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Notes. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Notes in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Notes held in Relevant Clearing Systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.
- (d) The CDIs issued to CDI Holders will be constituted and issued pursuant to the CREST Deed Poll. CDI Holders will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to the CREST Manual and the CREST Rules (the **CREST Rules**) (contained in the CREST Manual) applicable to the CREST International Settlement Links Service and CDI Holders must comply in full with all obligations imposed on them by such provisions.
- (e) Potential investors should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the issuer of the CDIs, the CREST Depository.
- (f) CDI Holders may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the money invested by them. The attention of potential investors is drawn to the terms of the CREST Deed Poll, the CREST Manual and the CREST Rules, copies of which are available from the CREST website (at 27th November, 2013, being at [www.euroclear.com/site/public/EUI](http://www.euroclear.com/site/public/EUI)).
- (g) Potential investors should note that CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Notes through the CREST International Settlement Links Service.
- (h) Potential investors should note that none of the Issuer, the relevant Dealer, the Trustee and the Paying Agents will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.
- (i) Potential investors should note that Notes represented upon issue by a temporary global Note exchangeable for a permanent global Note will not be immediately eligible for CREST settlement as CDIs. In such case, investors investing in the Underlying Notes through CDIs will only receive the CDIs after such temporary global Note is exchanged for a permanent global Note, which could take up to 40 days after the issue of the Notes. It is anticipated that Notes eligible for CREST settlement as CDIs will be issued initially in the form of a permanent global Note.

## Taxation

### United Kingdom Taxation

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

### Payment of Interest on the Notes

The Issuer, provided that it continues to be a bank within the meaning of section 991 of the Income Tax Act 2007, and provided that the interest on the Notes is paid in the ordinary course of its business within the meaning of section 878 of the Income Tax Act 2007, will be entitled to make payments of interest without withholding or deduction for or on account of United Kingdom income tax.

Payments of interest on the Notes may also be made without deduction or withholding for or on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange", as defined in section 1005 Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000 and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes are and remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom income tax where interest on the Notes is paid by a company and, at the time the payment is made, that company reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest or falls within various categories enjoying a special tax status (including specified pension funds) or are partnerships consisting of such persons, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

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

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

Noteholders may wish to note that, in certain circumstances, HMRC has powers to obtain information and documents relating to the Notes, including in relation to issues of and other transactions in the Notes, interest, payments treated as interest and other payments derived from the Notes. This may include details of the beneficial owners of the Notes, of the persons for whom the Notes are held and of the persons to whom payments derived from the Notes are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to transactions relating to the Notes on behalf of others, registrars and administrators of such transactions, persons who make, receive or are entitled to receive payments derived from the Notes and persons by or through whom interest and payments treated as interest are paid or credited. Information obtained by HMRC may be provided to tax authorities in other countries.

HMRC has indicated that it will not use its information-gathering power on interest to obtain information about amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 which are paid before 6 April 2014.

## **RPI-Linked Notes**

Noteholders should note that RPI-Linked Notes with a redemption value linked to the retail prices index may constitute "deeply discounted securities" for the purposes of Chapter 8 of Part 4 Income Tax (Trading and Other Income) Act 2005. In those circumstances, profits arising on disposal (including redemption or transfer) of the Notes by a Noteholder who is within the charge to United Kingdom income tax in respect of the Notes will generally be taxable as income with no account being taken of any costs incurred on the acquisition or disposal of the Notes.

Other Notes issued under the Programme (including in particular Zero Coupon Notes) may also constitute "deeply discounted securities" or Noteholders may otherwise be subject to United Kingdom income tax on profits arising on disposal.

## **Irish Taxation**

**The following is a summary of the principal Irish tax consequences of ownership of the Notes for individuals who are resident and ordinarily resident in Ireland for tax purposes and for companies that are resident in Ireland for tax purposes. It is based on the laws and practice of the Revenue Commissioners currently in force in Ireland and may be subject to change. The statements in this summary are based on the understanding that the Notes will be treated as debt for Irish tax purposes. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, including dealers in securities and trusts. The summary does not constitute tax or legal advice and the comments below are of a general nature only and it does not discuss all aspects of Irish taxation that may be relevant to any particular holder of Notes (including, but not limited to, social insurance and the Universal Social Charge (USC)). Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of payments thereon under any laws applicable to them.**

## **Taxation of Noteholders**

### ***Withholding Tax***

Tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source interest. The Issuer will not be obliged to withhold Irish income tax from payments of interest on the Notes so long as such payments do not constitute Irish source income. Interest paid on the Notes should not be treated as having an Irish source unless:

- (a) the Issuer is resident in Ireland for tax purposes; or
- (b) the Issuer has a branch or permanent establishment in Ireland, the assets or income of which is used to fund the payments on the Notes; or
- (c) the Issuer is not resident in Ireland for tax purposes but the Notes are physically held in Ireland.

It is anticipated that, (i) the Issuer is not and will not be resident in Ireland for tax purposes; (ii) the Issuer will not have a branch or permanent establishment in Ireland; and (iii) the Notes will not be physically located in Ireland.

### ***Taxation of Receipts***

Notwithstanding that a Noteholder may receive payments of interest, premium or discount on the Notes free of Irish withholding tax, the Noteholder may still be liable to pay Irish income tax (currently up to 41 per cent. and in the case of individuals, the USC) or corporation tax (generally at the rate of 25 per cent.) on such interest and/or any payment in the nature of interest if (i) such interest has an Irish source, (ii) the Noteholder is resident or (in the case of a person other than a body corporate) ordinarily resident in Ireland for tax purposes (in which case

there would also be a social insurance (PRSI) liability for an individual in receipt of interest on the Notes), or (iii) the Notes are attributed to a branch or agency in Ireland.

Ireland operates a self-assessment system in respect of income and corporation tax, and each person must assess its own liability to Irish tax.

Relief from Irish tax may also be available under the specific provisions of a double taxation agreement between Ireland and the country of residence of the recipient.

#### ***Encashment Tax***

In certain circumstances, Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from any interest paid on Notes issued by a company not resident in Ireland, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder who is Irish resident. Encashment tax does not apply where the Noteholder is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

#### ***Capital Gains Tax***

A Noteholder will be not be subject to Irish tax on capital gains on a disposal of Notes unless such Noteholder is either resident or ordinarily resident in Ireland and or carries on a trade or business in Ireland through a permanent establishment, branch or agency in respect of which the Notes are or were held. A Noteholder who is resident or ordinarily resident in Ireland or carries on such a trade in Ireland may be liable to capital gains tax in Ireland on a disposal of the Notes. Capital gains tax is currently levied at 33 per cent. in Ireland.

#### ***Capital Acquisitions Tax***

A gift or inheritance comprising of Notes will not be within the charge to Irish capital acquisitions tax (which, subject to available exemptions and reliefs, is currently levied at 33 per cent.) unless either (i) the disposer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland; or (ii) the Notes are regarded as property situate in Ireland. Notes are generally regarded as situated where they are physically located. A foreign domiciled individual will not be regarded as being resident or ordinarily resident in Ireland at the date of the gift or inheritance unless that individual (i) has been resident in Ireland for the five consecutive tax years preceding that date, and (ii) is either resident or ordinarily resident in Ireland on that date.

#### ***Stamp Duty On Transfer Of Notes***

No stamp duty, capital duty or similar tax is imposed in Ireland on the issue, transfer or redemption of the Notes unless (i) the Notes are regarded as property situate in Ireland; or (ii) a document of transfer of the Notes is executed in Ireland; or (iii) the transfer relates to Irish property or to any matter or thing done or to be done in Ireland. Even if any one of the territoriality provisions listed at (i), (ii) or (iii) above were applicable, an exemption may be applicable under the provisions of Irish stamp duty legislation on the transfer of loan capital.

#### ***EU Directive on the Taxation of Savings Income***

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Directive**), each Member State of the European Union (each a **Member State**) is required to provide to the tax authorities of any other Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for the benefit of, or collected by such person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1st January, 2015, in favour of automatic information exchange under the Directive.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. At a meeting on 22nd May 2013, the European Council called for the adoption of an amended Directive before the end of 2013.

### **The proposed financial transactions tax ("FTT")**

The European Commission has published a proposal for a Directive for a common FTT in certain participating Member States.

The proposed FTT has very broad scope and could apply to certain dealings in financial instruments (including secondary market transactions).

The FTT could apply to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in financial instruments where at least one party is a financial institution, and either (i) at least one party is established or deemed to be established in a participating Member State or (ii) the financial instruments are issued in a participating Member State.

The proposed Directive remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear.

## Subscription and Sale

The Dealers have, in an amended and restated dealer agreement dated 27th November, 2013 (as modified and/or supplemented and/or restated from time to time, the **Dealer Agreement**) agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes" above. In the Dealer Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme.

### United States

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

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding paragraph and in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

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

### Public offer selling restriction under the Prospectus Directive

In relation to each EEA State which has implemented the Prospectus Directive (each a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **public offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such public offer, in accordance with the Prospectus Directive in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that public offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

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

For the purposes of this provision:

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

## **United Kingdom**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, 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 any Notes in, from or otherwise involving the United Kingdom.

## **Japan**

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

## **France**

Each of the Dealers and the Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) *Offer to the public in France:* it has only made and will only make an offer of Notes to the public in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the *Autorité des Marchés financiers (AMF)*, on the date of such approval or, (ii) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the EU Prospectus Directive No. 2003/71/EC, on the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of approval of the Offering Circular, all in

accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF; or

(ii) *Private placement in France*: it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Offering Circular the relevant final terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to qualified investors (*investisseurs qualifiés*) other than individuals all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1, L.533-16 and L.533-20 of the French *Code monétaire et financier*.

## **Jersey**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that there shall be no circulation in Jersey of any offer for subscription, sale or exchange of any Notes unless such offer is circulated in Jersey by a person or persons authorised to conduct investment business under the Financial Services (Jersey) Law 1998, as amended and (a) such offer does not for the purposes of Article 8 of the Control of Borrowing (Jersey) Order 1958, as amended, constitute an offer to the public; or (b) an identical offer is for the time being circulated in the United Kingdom without contravening the FSMA and is, *mutatis mutandis*, circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom.

## **Isle of Man**

Each Dealer has represented and agreed, and each further Dealer under the Programme will be required to represent and agree, that any offer for subscription, sale or exchange of the Notes within the Isle of Man shall be made by (i) an Isle of Man financial services licenceholder licensed under section 7 of the Financial Services Act 2008 to do so or (ii) in accordance with any relevant exclusion contained within the Regulated Activities Order 2011 or exemption contained in the Financial Services (Exemptions) Regulations 2011.

## **General**

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## RPI-Linked Notes – How the Return on an Investment may be Calculated

THE WORKED EXAMPLES PRESENTED BELOW ARE FOR ILLUSTRATIVE PURPOSES ONLY AND ARE IN NO WAY REPRESENTATIVE OF ACTUAL PRICING. THE WORKED EXAMPLES ARE INTENDED TO DEMONSTRATE HOW AMOUNTS PAYABLE UNDER THE NOTES ARE CALCULATED UNDER A VARIETY OF SCENARIOS. THE ACTUAL AMOUNTS PAYABLE (IF ANY) WILL BE CALCULATED IN ACCORDANCE WITH THE TERMS RELATING TO THE PARTICULAR ISSUE OF NOTES AS SET OUT IN THE TERMS AND CONDITIONS SECTION OF THIS OFFERING CIRCULAR AND THE APPLICABLE FINAL TERMS.

### What is RPI?

RPI is one of the most familiar general purpose domestic measures of inflation in the UK. RPI has been used as a measure of inflation since 1947 and measures the average change from month to month in the prices of goods and services purchased by most households in the UK. The spending pattern on which RPI is based is revised each year, mainly using information from official expenditure and food surveys.

RPI is compiled by the UK Office of National Statistics (the UK's National Statistical Institute and the largest producer of official statistics in the UK, the **ONS**) using a large and representative selection of separate goods and services for which price movements are regularly measured in various areas throughout the UK. If prices rise compared to the previous month the RPI goes up and if prices fall compared to the previous month, the RPI goes down. It takes two or three weeks for the ONS to compile the index, so each month's RPI figure is published during the following month, (e.g. the figure relating to July will be published in August). The RPI figures used in the calculation of interest payments on RPI-Linked Interest Notes and the redemption amount of RPI-Linked Redemption Notes are numerical representations of where prices on a list of items bought by an average family stand at a point in time, in relation to their past values.

### Where can further information on RPI be located?

More information on RPI, including past and current levels and its volatility, can be found at the following website: <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Economy#tab-data-tables>.

Further information is also contained in the section of this Offering Circular entitled “*Summary – Section C – Securities*”.

Certain risks associated with an investment in RPI-Linked Notes are described in the section of this Offering Circular entitled “*Summary – Section D – Risks*” and in the section of this Offering Circular entitled “*Risk Factors - The amount of interest and/or the amount to be repaid upon redemption of Notes may be subject to adjustment by reference to RPI, which may reduce the interest amount payable in respect of the relevant interest period and/or reduce the amount to be repaid upon redemption to less than the face value of such Notes*”.

### How are payments of principal and interest linked to RPI?

Payments of principal on RPI-Linked Redemption Notes and interest on RPI-Linked Interest Notes will be adjusted to take into account changes in RPI from the “Base Index Figure” specified in the applicable Final Terms.

To calculate any inflation or deflation adjustment that might apply, two index “fixing” RPI figures are required:

- (1) the applicable RPI figure that relates to the start of the RPI-Linked Note's life (the **Base Index Figure**) (i.e. from when the RPI-Linked Note was originally issued); and
- (2) the applicable RPI figure that relates to the relevant interest payment date (in the case of an RPI-Linked Interest Note) or the relevant maturity date or early redemption date, as applicable (in the case of an RPI-Linked Redemption Note).

In respect of each Tranche of RPI-Linked Interest Notes, the real rate of interest (i.e. the rate of interest that applies to the relevant Notes *before* this rate is adjusted to take into account changes in RPI) will be specified in the applicable Final Terms. The interest amount due on each interest payment date (such dates to be specified in the applicable Final Terms) will then be multiplied by the ratio which reflects the change in RPI between the

Base Index Figure and the RPI figure applicable to the particular month or date (as specified in the applicable Final Terms) in or on which the relevant interest payment date falls.

Subject to any early redemption of RPI-Linked Redemption Notes, such RPI-Linked Redemption Notes will be redeemed on their specified maturity date at a final redemption amount specified in the applicable Final Terms, provided that:

- (i) if the RPI figure applicable to the relevant month or date, as the case may be, in or on which such payment falls to be made is higher than the Base Index Figure, an additional amount reflecting such increase in RPI will also be paid (subject to any maximum redemption amount specified in the applicable Final Terms); and
- (ii) if the RPI figure applicable to the relevant month or date, as the case may be, in or on which such payment falls to be made is lower than the Base Index Figure, the amount payable on redemption of the RPI-Linked Redemption Notes will be reduced to reflect such decrease in RPI (subject to any minimum redemption amount specified in the applicable Final Terms).

## WORKED EXAMPLES FOR PAYMENT OF INTEREST

Set out below are three worked examples illustrating how payments of interest in relation to a Series of RPI-Linked Interest Notes might be calculated.

The real rate of interest payable on a Series of RPI-Linked Interest Notes (i.e. the rate of interest payable on the Notes *before* such rate is adjusted to take into account changes in RPI) is fixed when the first Tranche of such Series of RPI-Linked Interest Notes is issued (the **Rate of Interest** in the examples below).

For the purposes of the examples below, this Rate of Interest is 1 per cent. (before any adjustments to take into account changes in RPI).

This amount will be adjusted upwards or downwards to take into account the effect of inflation (i.e. where the level of prices for the representative selection of separate goods and services used to measure RPI is rising) or deflation (i.e. where the level of prices for the representative selection of separate goods and services used to measure RPI is decreasing) as indicated below. In the examples below, the Issuer will pay interest in two half-yearly instalments until the RPI-Linked Interest Notes mature, which is why the rate of interest in the examples below is being divided by 2. In the examples below, the interest amount due on each interest payment date will be adjusted to take into account changes in RPI.

### Worked Example (A)

*The below example is relevant where item 17(x) of Part A of the applicable Final Terms for the RPI-Linked Interest Notes specifies that paragraph (i) of the definition of "Index Figure applicable" applies.*

In the example below, the Base Index Figure and the RPI figure that relates to any relevant interest payment date are taken 8 months prior to the issue date and the relevant interest payment date respectively.

In the example below, the interest amount due on each interest payment date will be adjusted to take into account changes in RPI between the Base Index Figure relating to January 2013 (which is 8 months prior to the issue date of the first Tranche of the Series of RPI-Linked Interest Notes in the example below, i.e. September 2013, and the figure for which is 245.8) and the RPI figure relating to the 8th month prior to the relevant interest payment date, and is calculated as follows:

$$\left( \text{Calculation Amounts of the relevant Notes} \times \frac{\text{Rate of Interest}}{2} \times \frac{\text{RPI relating to the month 8months prior to the Interest Payment Date}}{\text{Base Index Figure of 245.8}} \right)$$

Interest amounts are calculated with reference to each Calculation Amount as set out in the applicable Final Terms.

As an example, if an investor owns £2,000 face value of RPI-Linked Interest Notes issued in September 2013 for which the Rate of Interest is 1 per cent. and the Calculation Amount is £100, the interest amount per Calculation Amount each investor will receive on the first interest payment date in March 2014 will be:

$$\text{£100} \times \frac{1\%}{2} \times \frac{\text{RPI relating to July 2013}}{\text{BaseIndex Figure of 245.8}}$$

$$= \text{£100} \times 0.50\% \times \frac{249.7}{245.8} = \text{£0.51}$$

As the face value of RPI-Linked Interest Notes held by the investor in this example is equal to the Calculation Amount multiplied by 20, the actual amount this investor will receive on the first interest payment date in March 2014 will be £0.51 x 20 = **£10.20**.

### Worked Example (B)

*The below example is relevant where item 17(x) of Part A of the applicable Final Terms for the RPI-Linked Interest Notes specifies that paragraph (ii) of the definition of "Index Figure applicable" applies.*

In the example below, the Base Index Figure and the RPI figure that relates to any relevant interest payment date are taken 3 months prior to the issue date and the relevant interest payment date respectively.

In the example below, the interest amount due on each interest payment date will be adjusted to take into account changes in RPI between the Base Index Figure relating to June 2013 (which is 3 months prior to the issue date of the first Tranche of the Series of RPI-Linked Interest Notes in the example below, i.e. September 2013, and the figure for which is 249.7) and the RPI figure relating to the 3rd month prior to the relevant interest payment date, and is calculated as follows:

$$\left( \text{Calculation Amounts of the relevant Notes} \times \frac{\text{Rate of Interest}}{2} \times \frac{\text{RPI relating to the month 3 months prior to the Interest Payment Date}}{\text{BaseIndex Figure of 249.7}} \right)$$

Interest amounts are calculated with reference to each Calculation Amount as set out in the applicable Final Terms.

As an example, if an investor owns £2,000 face value of RPI-Linked Interest Notes issued in September 2013 for which the Rate of Interest is 1 per cent. and the Calculation Amount is £100, the interest amount per Calculation Amount each investor will receive on the first interest payment date in March 2014 will be:

$$\text{£100} \times \frac{1\%}{2} \times \frac{\text{RPI relating to December 2013}^*}{\text{BaseIndex Figure of 249.7}}$$

$$= \text{£100} \times 0.50\% \times \frac{255.6}{249.7} = \text{£0.51}$$

*\* The RPI figure for December 2013 will be published in January 2014. For the purposes of this worked example, a hypothetical RPI figure of 255.6 has been used for December 2013.*

As the face value of RPI-Linked Interest Notes held by the investor in this example is equal to the Calculation Amount multiplied by 20, the actual amount this investor will receive on the first interest payment date in March 2014 will be £0.51 x 20 = **£10.20**.

### Worked Example (C)

*The below example is relevant where item 17(x) of Part A of the applicable Final Terms for the RPI-Linked Interest Notes specifies that paragraph (iii) of the definition of "Index Figure applicable" applies.*

RPI-Linked Interest Notes may also be issued with reference to the RPI figure applicable to a particular day in a particular month (which differs from examples (A) and (B) above, where the calculation of any inflation adjustment to be made is determined by reference to the RPI figure relating to a particular month only).

In this case, the applicable Final Terms will also specify which particular day in any given month will be used for the determination of any inflation adjustment that would apply to the relevant Notes on an interest payment date.

In the example below, the Notes have been issued with Final Terms that make reference to the RPI figure for the 15th day of each relevant month. The interest payment date in this example is 15 March 2014.

In the example below, the interest amount due on each interest payment date will be adjusted to take into account the effect of changes in RPI between the Base Index Figure specified in the applicable Final Terms and the RPI figure applicable to the relevant interest payment date (15 March 2014, in this example).

The RPI figure applicable to the relevant interest payment date is calculated by linear interpolation (i.e. the method of determining the value of an unknown figure (in this case, the unknown RPI figure relevant to the specific interest payment date (15 March 2014, in this example)), by using the values of two known surrounding figures (in this case, two other known RPI figures) between:

- (i) the RPI figure (**RPI month 1**) applicable to the third month prior to the month in which the specified day falls (i.e. March 2014); and
- (ii) the RPI figure (**RPI month 2**) applicable to the third month prior to the month following the month in which the specified day falls (i.e. April 2014).

The RPI figure applicable to a particular day in a particular month will be determined as follows using RPI month 1 and RPI month 2:

$$\text{RPI figure applicable to a particular day} = \text{RPI month 1} + \left[ \frac{\text{RPI month 2} - \text{RPI month 1}}{\text{days in particular month}} \right] \times \text{particular day}$$

rounded down to the nearest fifth decimal place (0.000005 being rounded upwards).

In this example, **RPI month 1** would be December 2013, as this month falls three months prior to March 2014 and **RPI month 2** would be January 2014, as this month falls three months prior to April 2014.

The RPI figure for December 2013 will be published in January 2014 and the RPI figure for January 2014 will be published in February 2014. However, for the purposes of this worked example, a hypothetical RPI figure of 255.6 has been used for December 2013 and a hypothetical RPI figure of 257.4 has been used for January 2014.

To find the applicable RPI figure attributable to 15 March 2014 using the RPI figures attributable to December 2013 and January 2014:

$$\text{RPI figure applicable} = 255.6 + \left[ \frac{257.4 - 255.6}{31} \right] \times 15 = 256.47097$$

This provides an RPI Figure of 256.47097 attributable to 15 March 2014.

The Base Index Figure specified in the applicable Final Terms will similarly be determined by means of linear interpolation (as described above) of the RPI figure relating to June 2013 (which is 3 months prior to the month in which the first Tranche of the Series of RPI-Linked Interest Notes is issued in the example below, i.e. September 2013) and the RPI figure relating to July 2013 (which is 3 months prior to the month following the month in which the first Tranche of the Series of RPI-Linked Interest Notes is issued, i.e. October 2013). The **Base Index Figure** in this example is 249.7.

Interest amounts are calculated with reference to each Calculation Amount as set out in the applicable Final Terms, as follows:

$$\left[ \text{Calculation Amounts of the relevant Notes} \times \frac{\text{Rate of Interest}}{2} \times \frac{\text{RPI figure determined as described above}}{\text{Base Index Figure}} \right]$$

In this example, if an investor owns £2,000 face value of RPI-Linked Interest Notes issued on 15 September 2013 for which the Rate of Interest is 1 per cent. and the Calculation Amount is £100, the interest amount per Calculation Amount each investor will receive on the first interest payment date on 15 March 2014 will be:

$$\text{£100} \times \frac{1\%}{2} \times \frac{\text{RPI relating to 15 March 2014}}{\text{Base Index Figure of 249.7}}$$

$$= \text{£}100 \times 0.50\% \times \frac{256.47097}{249.7} = \text{£}0.51$$

As the face value of RPI-Linked Interest Notes held by the investor in this example is equal to the Calculation Amount multiplied by 20, the actual amount this investor will receive on the first interest payment date on 15 March 2014 will be £0.51 x 20 = **£10.20**.

## WORKED EXAMPLES FOR REPAYMENT OF PRINCIPAL

Set out below are three worked examples illustrating how repayment of principal in relation to a Series of RPI-Linked Redemption Notes might be calculated.

The RPI-Linked Redemption Notes will be redeemed either (i) on their specified maturity date as specified in the applicable Final Terms at the final redemption amount specified in the applicable Final Terms (in this example, at 100 per cent. of the nominal amount), or (ii) in certain limited circumstances described in the Terms and Conditions of the RPI-Linked Redemption Notes (for example, *inter alia*, where the publication of RPI has ceased) upon expiry of the notice required by the Terms and Conditions, at the relevant early redemption amount specified in the applicable Final Terms and/or the Terms and Conditions, in the case of each of (i) and (ii) above, plus or minus an additional amount to take into account the effect of inflation or deflation.

### Worked Example (D)

*The below example is relevant where item 17(x) of Part A of the applicable Final Terms for the RPI-Linked Redemption Notes specifies that paragraph (i) of the definition of "Index Figure applicable" applies.*

In the example below, the Base Index Figure and the RPI figure that relates to the relevant redemption date are taken 8 months prior to the issue date and the relevant redemption date respectively.

In the example below, the final amount due on the redemption of the RPI-Linked Redemption Notes will be adjusted to take into account the effect of changes in RPI between the Base Index Figure relating to January 2013 (which is 8 months prior to the issue date of the first Tranche of the Series of RPI-Linked Redemption Notes in the example below, i.e. September 2013, and the figure for which is 245.8) and a hypothetical RPI figure of 312.5 relating to April 2020, being the 8th month prior to the relevant redemption date (which redemption date, in the example below, is to fall in December 2020) and (on the basis of a final redemption amount specified in the applicable Final Terms as being 100 per cent. of the nominal amount of the Notes) is calculated as follows:

$$\text{Calculation Amount of the relevant Notes} \times \frac{\text{RPI relating to April 2020}}{\text{Base Index Figure}}$$

The amount so payable to an investor is calculated with reference to each Calculation Amount as set out in the applicable Final Terms.

As an example, if an investor owns £2,000 face value of the RPI-Linked Redemption Notes issued in September 2013 and the Calculation Amount is £100, the amount per Calculation Amount each investor will receive on redemption of the Notes in December 2020 will be:

$$\text{£}100 \times \frac{\text{RPI relating to April 2020 of 312.5}}{\text{Base Index Figure of 245.8}} = \text{£}127.14$$

As the face value of RPI-Linked Redemption Notes held by the investor in this example is equal to the Calculation Amount multiplied by 20, the actual amount this investor will receive on redemption of the Notes in December 2020 will be £127.14 x 20 = **£2,542.80**.

In this example, the final redemption amount of the RPI-Linked Redemption Notes is not subject to a maximum or minimum redemption amount as may be specified for any given issue of RPI-Linked Redemption Notes in the applicable Final Terms.

### Worked Example (E)

*The below example is relevant where item 17(x) of Part A of the applicable Final Terms for the RPI-Linked Redemption Notes specifies that paragraph (ii) of the definition of "Index Figure applicable" applies.*

In the example below, the Base Index Figure and the RPI figure that relates to the relevant redemption date are taken 3 months prior to the issue date and the relevant redemption date respectively.

In the example below, the final amount due on the redemption of the RPI-Linked Redemption Notes will be adjusted to take into account the effect of changes in RPI between the Base Index Figure relating to June 2013 (which is 3 months prior to the issue date of the first Tranche of the Series of RPI-Linked Redemption Notes in the example below, i.e. September 2013, and the figure for which is 249.7) and a hypothetical RPI figure of 314.0 relating to September 2020, being the 3rd month prior to the relevant redemption date (which redemption date, in the example below, is to fall in December 2020) and (on the basis of a final redemption amount specified in the applicable Final Terms as being 100 per cent. of the nominal amount of the Notes) is calculated as follows:

$$\text{Calculation Amount of the relevant Notes} \times \frac{\text{RPI relating to September 2020}}{\text{Base Index Figure}}$$

The amount so payable to an investor is calculated with reference to each Calculation Amount as set out in the applicable Final Terms.

As an example, if an investor owns £2,000 face value of the RPI-Linked Redemption Notes issued in September 2013 and the Calculation Amount is £100, the amount per Calculation Amount each investor will receive on redemption of the Notes in December 2020 will be:

$$\text{£100} \times \frac{\text{RPI relating to September 2020 of 314.0}}{\text{Base Index Figure of 249.7}} = \text{£125.75}$$

As the face value of RPI-Linked Redemption Notes held by the investor in this example is equal to the Calculation Amount multiplied by 20, the actual amount this investor will receive on redemption of the Notes in December 2020 will be £125.75 x 20 = **£2,515**.

In this example, the final redemption amount of the RPI-Linked Redemption Notes is not subject to a maximum or minimum redemption amount as may be specified for any given issue of RPI-Linked Redemption Notes in the applicable Final Terms.

### **Worked Example (F)**

*The below example is relevant where item 17(x) of Part A of the applicable Final Terms for the RPI-Linked Redemption Notes specifies that paragraph (iii) of the definition of "Index Figure applicable" applies.*

RPI-Linked Redemption Notes may also be issued with reference to the RPI figure applicable to a particular day in a particular month (which differs from examples (D) and (E) above, where the calculation of any inflation adjustment to be made is determined by reference to the RPI figure relating to a particular month only).

In this case, the applicable Final Terms will also specify which particular day in any given month will be used for the determination of any inflation adjustment that would apply to the relevant Notes on the relevant redemption date.

In the example below, the final amount due on redemption will be adjusted to take into account the effect of changes in RPI between the Base Index Figure specified in the applicable Final Terms and the RPI figure applicable to the relevant redemption date (15 March 2020, in this example). The RPI figure applicable to the relevant redemption date is calculated by linear interpolation (i.e. the method of determining the value of an unknown figure (in this case, the unknown RPI figure relevant to the specific interest payment date (15 March 2014, in this example)), by using the values of two known surrounding figures (in this case, two other known RPI figures) between:

- (i) the RPI figure (**RPI month 1**) applicable to the third month prior to the month in which the specified day falls (i.e. March 2020); and
- (ii) the RPI figure (**RPI month 2**) applicable to the third month prior to the month following the month on which the specified day falls (i.e. April 2020).

The RPI figure applicable to a particular day in a particular month will be determined as follows using RPI month 1 and RPI month 2:

$$\text{RPI figure applicable to a particular day} = \text{RPI month 1} + \left[ \frac{\text{RPI month 2} - \text{RPI month 1}}{\text{days in particular month}} \right] \times \text{particular day}$$

rounded down to the nearest fifth decimal place (0.000005 being rounded upwards).

In this example, **RPI month 1** would be December 2019, as this month falls three months prior to March 2020 and **RPI month 2** would be January 2020, as this month falls three months prior to April 2020.

The RPI figure for December 2019 will be published in January 2020 and the RPI figure for January 2020 will be published in February 2020. However, for the purposes of this worked example, a hypothetical RPI figure of 309.8 has been used for December 2019 and a hypothetical RPI figure of 308.8 has been used for January 2020.

To find the applicable RPI figure attributable to 15 March 2020 using the RPI figures attributable to December 2019 and January 2020:

$$\text{RPI figure applicable} = 309.8 + \left[ \frac{308.8 - 309.8}{31} \right] \times 15 = 309.31613$$

This provides an RPI Figure of 309.31613 attributable to 15 March 2020.

The Base Index Figure specified in the applicable Final Terms will similarly be determined by means of linear interpolation (as described above) of the RPI figure relating to December 2012 (which is 3 months prior to the month in which the first Tranche of the Series of RPI-Linked Redemption Notes is issued in the example below, i.e. March 2013) and the RPI figure relating to January 2013 (which is 3 months prior to the month following the month in which the first Tranche of the Series of RPI-Linked Redemption Notes is issued, i.e. April 2013). The **Base Index Figure** in this example is 246.31613.

The final amount due on the redemption of the RPI-Linked Redemption Notes will be calculated with reference to each Calculation Amount as set out in the applicable Final Terms, and (on the basis of a final redemption amount specified in the applicable Final Terms as being 100 per cent. of the nominal amount of the Notes) is calculated as follows:

$$\left[ \text{Calculation Amount of the relevant Notes} \times \frac{\text{RPI figure determined as described above}}{\text{Base Index Figure}} \right]$$

In this example, if an investor owns £2,000 face value of RPI-Linked Redemption Notes issued on 15 March 2013 and the Calculation Amount is £100, the amount per Calculation Amount each investor will receive on redemption of the Notes on 15 March 2020 will be:

$$\text{£100} \times \frac{\text{RPI relating to 15 March 2020}}{\text{Base Index Figure of 246.31613}}$$

$$= \text{£100} \times \frac{309.31613}{246.31613} = \text{£125.58}$$

As the face value of RPI-Linked Redemption Notes held by the investor in this example is equal to the Calculation Amount multiplied by 20, the actual amount this investor will receive on redemption of the Notes in March 2020 will be £125.58 x 20 = **£2,511.60**.

In this example, the final redemption amount of the RPI-Linked Redemption Notes is not subject to a maximum or minimum redemption amount as may be specified for any given issue of RPI-Linked Redemption Notes in the applicable Final Terms.

## General Information

### Authorisation

The update of the Programme and the issue of Notes thereunder have been duly authorised by resolutions of the Board of Directors of the Issuer dated 2nd October, 2013 and a sub-committee of the Board of Directors dated 12th November, 2013.

### Listing of Notes on the Official List

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a temporary global Note initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. Such application is expected to be granted on or around 3rd December, 2013.

### Clearing Systems

The Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Clearstream, Luxembourg and Euroclear will be specified in the applicable Final Terms. If the Notes are to be cleared through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

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

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

### Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### Yield

The yield for any particular Series of Notes will be specified in the applicable Final Terms and will be calculated on the basis of the compound annual rate of return if the relevant Notes were to be purchased at the Issue Price on the Issue Date and held to maturity. Set out below is an example formula for the purposes of calculating the yield of Fixed Rate Notes or Zero Coupon Notes. The Final Terms in respect of any Floating Rate Notes will not include any indication of yield.

$$\text{Issue Price} = \text{Rate of Interest}^* \frac{1 - \left( \frac{1}{(1 + \text{Yield})^n} \right)}{\text{Yield}} + \left[ \text{Final Redemption Amount}^* \frac{1}{(1 + \text{Yield})^n} \right]$$

Where:

"Rate of Interest" means the Rate of Interest expressed as a percentage as specified in the applicable Final Terms and adjusted according to the frequency (and in the case of Zero Coupon Notes, means "0") i.e. for a semi-annual paying Note, the rate of interest is half the stated annualised rate of interest in the Final Terms;

"Yield" means the yield to maturity calculated on a frequency commensurate with the frequency of interest payments as specified in the applicable Final Terms (and in the case of Zero Coupon Notes, means Accrual Yield as specified in the applicable Final Terms); and

"n" means the number of interest payments to maturity.

Set out below is a worked example illustrating how the yield on a Series of Fixed Rate Notes could be calculated on the basis of the above formula. It is provided for purposes of illustration only and should not be taken as an indication or prediction of the yield for any Series of Notes; it is intended merely to illustrate the way which the above formula could be applied.

Where:

N = 6

Rate of Interest = 3.875%

Issue Price = 99.392%

Final Redemption Amount = 100%

$$99.392 = 3.875 \frac{1 - \left( \frac{1}{(1 + \text{Yield})^6} \right)}{\text{Yield}} + \left[ 100 * \frac{1}{(1 + \text{Yield})^6} \right]$$

Yield = 3.99% (calculated by iteration)

The yield specified in the applicable Final Terms in respect of a Series of Notes will not be an indication of future yield.

## **Significant or Material Change**

There has been no significant change in the financial or trading position of the Group since 31st August, 2013 and there has been no material adverse change in the prospects of the Issuer since 28th February, 2013.

## **Governmental, Legal and Arbitration Proceedings**

Save as set out in relation to potential customer redress in respect of the historic sale of PPI and certain products sold to credit card customers in Note 11 to the unaudited interim financial statements for the six months ended 31st August 2013, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial position or profitability of the Issuer or the Group.

## **Auditors**

The financial statements of the Issuer have been audited without qualification for the financial years ended 28th February, 2013 and 29th February, 2012 by PricewaterhouseCoopers LLP, chartered accountants and registered auditors (a member of the Institute of Chartered Accountants in England and Wales), of PO Box 90, Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH. PricewaterhouseCoopers LLP have no material interest in the Issuer.

## **Trust Deed**

The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) and/or any other expert in accordance with the provisions of the Trust Deed whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee and the Auditors or such other expert in connection therewith contains any limit on the liability (monetary or otherwise) of the Auditors or such other expert.

## **Documents Available**

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published (if applicable), be available from the registered office of the Issuer and from the specified office of the Paying Agents:

- (i) the Memorandum and Articles of Association of the Issuer;
- (ii) the auditors' report and the audited consolidated and non-consolidated financial statements of the Issuer for the financial period ended 28th February, 2013;
- (iii) the auditors' report and the audited consolidated and non-consolidated financial statements of the Issuer for the financial period ended 29th February, 2012;
- (iv) the most recently published audited consolidated and non-consolidated annual financial statements of the Issuer and the most recently published consolidated and non-consolidated interim financial reports (if any) of the Issuer, in each case together with any audit or review reports prepared in connection therewith;
- (v) the Dealer Agreement, and the Schedule of Forms (containing the forms of the Temporary Global Notes, the Permanent Global Notes, the Definitive Notes, the Coupons and the Talons);
- (vi) this Offering Circular;
- (vii) any future offering circulars, prospectuses or information memoranda in respect of the Notes and any supplements thereto including any Final Terms and any other documents incorporated herein or therein by reference; and
- (viii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition, this Offering Circular and the documents incorporated by reference herein are available, and each Final Terms relating to Notes which are admitted to trading on the London Stock Exchange's regulated market and/or offered in the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Directive will be available, on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/news/marketnews/rns/rns.htm>.

## **Post-issuance Information**

Unless otherwise specified in the applicable Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

## **Dealers Transacting with the Issuer**

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

**REGISTERED HEAD OFFICE OF THE ISSUER**

**TESCO PERSONAL FINANCE PLC**

Interpoint Building  
22 Haymarket Yards  
Edinburgh EH12 5BH

**THE TRUSTEE**

**Capita Trust Company Limited**

4th Floor  
40 Dukes Place  
London EC3A 7NH

**AGENT AND PAYING AGENT**

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

**LEGAL ADVISERS**

*To the Issuer as to English Law*

**Freshfields Bruckhaus Deringer LLP**  
65 Fleet Street  
London EC4Y 1HS

*To the Issuer as to Scots Law*

**Dundas & Wilson CS LLP**  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EN

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

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

**AUDITORS TO THE ISSUER**

**PricewaterhouseCoopers LLP**  
PO Box 90  
Erskine House  
68-73 Queen Street  
Edinburgh EH2 4NH

**DEALERS**

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

**BNP Paribas**  
10 Harewood Avenue  
London NW1 6AA

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**Deutsche Bank AG, London Branch**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB

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

**J.P. Morgan Securities plc**  
25 Bank Street  
Canary Wharf  
London E14 5JP