IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the base prospectus attached to this electronic submission (the Base Prospectus), and you are advised to read this disclaimer page carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the attached Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access. You acknowledge that you will not forward this electronic submission or the attached Base Prospectus to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. NEITHER THE SECURITIES NOR THE GUARANTEE HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING BASE PROSPECTUS AND ITS CONTENTS ARE CONFIDENTIAL AND MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS PROHIBITED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: You have been sent this Base Prospectus on the basis that you have confirmed to the relevant Dealers (as defined in the Programme Agreement), being the senders of the attached that: (i) you have understood and agree to the terms set out herein, (ii) you consent to the delivery of this Base Prospectus by electronic transmission, (iii) you are not a U.S. person (within the meaning of Regulation S under the Securities Act 1933), and are not acting for the account or benefit of any U.S. person, and that the electronic mail address you have given to us is not located in the United States, its territories and possessions, (iv) you will not transmit the attached Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the relevant Dealers, and (v) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the securities.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriter or any affiliate of the relevant Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant Dealers or such affiliate on behalf of Abbey National Treasury Services plc (the "**Issuer**") in such jurisdiction.

This Base Prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently, none of the Issuer or the relevant Dealers or any person who controls them or any of their directors, officers, employees or agents, or any affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between this Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer, the Arranger or the relevant Dealers.

BASE PROSPECTUS **DATED 28 JANUARY 2014**

Abbey National Treasury Services plc

(*incorporated under the laws of England and Wales*)

Unconditionally and irrevocably guaranteed by

Santander UK plc

(*incorporated under the laws of England and Wales*)

Programme for the issuance of

Notes, Certificates and Warrants

Abbey National Treasury Services plc (the "**Issuer**") may from time to time issue notes (the "**Notes**"), redeemable certificates (the "**Certificates**" and, together with Notes, the "**N&C Securities**") and warrants (the "**Warrants**" and together with the N&C Securities, the "**Securities**") denominated in any currency as agreed between the Issuer and the relevant Dealer (as defined below) under this Note, Certificate and Warrant Programme (the "**Programme**").

For the purposes 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**") and relevant implementing measures in Ireland, this document (the "**Base Prospectus**") constitutes a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Ireland for the purpose of giving information with regard to the issue of the Securities under the Programme during the period of 12 months after the date hereof. This Base Prospectus supersedes the Base Prospectus dated 21 February 2013 previously issued by the Issuer in respect of the Programme.

The Base Prospectus has been approved by the Central Bank of Ireland, as Irish competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Securities which are to be admitted to trading on the regulated market of the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") or other regulated markets for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**") or which are to be offered to the public in a Member State of the European Economic Area.

The Issuer may request the Central Bank of Ireland, in accordance with Article 18 of the Prospectus Directive, to provide to the relevant competent authority of Austria, Germany, the United Kingdom and/or, such other competent authorities as it may require, from time to time, with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.

Application has been made to the Irish Stock Exchange for Securities issued under the Programme to be admitted to the official list (the "**Official List**") and to trading on its regulated market. The regulated market of the Irish Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive.

Application may also be made (i) to the United Kingdom Financial Conduct Authority in its capacity as competent authority (the "**UK Listing Authority**") for Securities issued under the Programme to be admitted to the official list of the UK Listing Authority and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Securities to be admitted to trading on the London Stock Exchange's regulated market (which is a regulated market for the purposes of the Markets in Financial Instruments Directive), for the period beginning once the UK Listing Authority has been provided with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive until 12 months from the date of this Base Prospectus or (ii) to include the Securities to trading on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange (Börse Frankfurt Zertifikate AG platform). The Programme provides that Securities may be unlisted or listed on such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor and the relevant Dealer and as specified in the Final Terms or Pricing Supplement, as applicable.

The payment of all amounts payable in respect of the Securities will be unconditionally and irrevocably guaranteed by Santander UK plc (the "**Guarantor**").

N&C Securities may be issued in bearer form ("**Bearer N&C Securities**") or immobilised bearer form ("**Immobilised Bearer N&C Securities**").

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

Notice of the aggregate nominal amount or issue size of Securities, interest (if any) payable in respect of N&C Securities, where applicable, the issue price of Securities, and certain other information which is applicable to each Tranche (as defined in the Conditions) of Securities will (other than in the case of Exempt Securities, as defined below) be set out in the applicable Final Terms which will be filed with the Central Bank of Ireland and (when publicly offered or listed on a regulated market in the United Kingdom) the UK Listing Authority, (when publicly offered in Austria) the Oesterreichische Kontrollbank Aktiengesellschaft ("**OeKB**"), (when publicly offered in Germany) the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**") and, where listed, the London Stock Exchange, Irish Stock Exchange or Frankfurt Stock Exchange, as applicable. Copies of Final Terms in relation to Securities to be listed on the London Stock Exchange will be published on the website of the London Stock Exchange through a regulatory information service and copies of Final Terms in relation to Securities to be listed on the Irish Stock Exchange will be published on the website of the Irish Stock Exchange. In the case of Exempt Securities, notice of the aggregate nominal amount of Securities, interest (if any) payable in respect of Securities, the issue price of Securities and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the "**Pricing Supplement**").

Prospective purchasers of Securities should ensure that they understand the nature of the relevant Securities and the extent of their exposure to risks and that they consider the suitability of the relevant Securities as an investment in the light of their own circumstances and financial condition. Certain issues of Securities involve a high degree of risk and potential investors should be prepared to sustain a loss of all or part of their investment. **Prospective investors should consider carefully the risks set forth herein under "Risk Factors" prior to making an investment decision with respect to the Securities. If prospective investors are in any doubt about the risks or suitability of a particular Security, they should seek professional advice.**

The Securities, the Guarantee (as defined in the Conditions) and, in certain cases, the Entitlement (as defined herein) have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or under any state securities laws and are subject to certain United States tax law requirements.

The Securities, or interests therein, may not at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States (including the States and the District of Colombia), its territories, possessions and other areas subject to its jurisdiction (the "**United States**") or directly or indirectly offered, sold, resold, traded, pledged, redeemed, transferred or delivered to, or for the account or benefit of, any person who is (i) an individual who is a citizen or resident of the United States; (ii) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustee have the authority to control all substantial decisions of the trust; (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (iii) above; (vi) any entity organised principally for passive investment, ten per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the CFTC's (defined below) regulations by virtue of its participants being non-U.S. Persons; or (vii) any other U.S. Person as such term may be defined in Regulation S under the Securities Act ("**Regulation S**") or in regulations adopted under the U.S. Commodity Exchange Act, as amended (a "**U.S. Person**").

The Securities do not constitute and have not been marketed as, contracts of sale of a commodity for future delivery (or options thereon) subject to the U.S. Commodity Exchange Act, as amended (the "**CEA**"), and trading in the Securities, Guarantee and any Entitlement has not been approved by the Commodity Futures Trading Commission (the "**CFTC**") pursuant to the CEA.

See "*Form of the Securities*" for a description of the manner in which Securities will be issued. See "*Subscription and Sale* ".

Dealer

Santander Global Banking & Markets

References to Santander entities

In this document, references to "**ANTS**" and references to the "**Issuer**" are references to Abbey National Treasury Services plc; references to "**Santander UK**" and the "**Guarantor**" are references to Santander UK plc; references to the "**ANTS Group**" are references to ANTS and its subsidiaries; references to the "**Santander UK Group**" and the "**Group**" are references to Santander UK and its subsidiaries and references to "**Santander Group**" are references to Banco Santander, S.A. ("**Banco Santander**") and its subsidiaries.

Further Information regarding the Base Prospectus

This Base Prospectus comprises a base prospectus in respect of all Securities other than Exempt Securities issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive.

The requirement to publish a prospectus under the Prospectus Directive only applies to Securities that are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Base Prospectus to "**Exempt Securities**" are to Securities for which no prospectus is required to be published under the Prospectus Directive. This Base Prospectus is valid for a period of 12 months from the date hereof.

Any Securities issued under the Programme by the completion of the Final Terms or Pricing Supplement, as applicable, on or after the date of this Base Prospectus are issued subject to the provisions hereof. This Base Prospectus does not affect any securities already in issue under any other programme of the Issuer, prior to the date of this Base Prospectus. "**Final Terms**" means the terms set out in a Final Terms document, substantially in the form set out in this Base Prospectus, which complete (i) the "General Terms and Conditions of the N&C Securities" set out on page 104 herein or (ii) the "General Terms and Conditions of the Warrants" set out on page 142 herein, as the case may be, which, in each case, together with the applicable Annex(es) relating to certain payouts, Equity Index/ETF Linked Securities, Equity Linked Securities, Inflation Index Linked Securities or Property Index Linked Securities, are referred to as the "**Conditions**". Any reference in this Base Prospectus to "**Issue Terms**" means either (i) in respect of Securities other than Exempt Securities, the applicable Final Terms or (ii) in respect of Securities that are Exempt Securities, the applicable Pricing Supplement, and should be construed accordingly.

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

The language of this Base Prospectus is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of the Base Prospectus.

Responsibility Statement

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

Important information relating to Non-exempt Offers of Securities

Restrictions on Non-exempt Offers of Securities in Relevant Member States

Certain Tranches of Securities with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "**Non-exempt Offer**". This Base Prospectus has been prepared on a basis that permits Non-exempt Offers of Securities. However, any person making or intending to make a Non-exempt Offer of Securities 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 Base Prospectus 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 Base Prospectus in connection with such offer as provided under "*Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)*" and the conditions attached to that consent are complied with by the person making the Non-exempt Offer of such Securities.

Save as provided above, none of the Issuer, the Guarantor and any Dealer have authorised, nor do they authorise, the making of any Non-exempt Offer of Securities 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 (Retail Cascades)

In the context of a Non-exempt Offer of such Securities, the Issuer and the Guarantor accept responsibility, in the jurisdictions to which the consent to use the Base Prospectus extends, for the content of this Base Prospectus under Article 6 of the Prospectus Directive in relation to any person (an "**Investor**") who purchases any Securities in a Non-exempt Offer made by any person to whom the Issuer has given consent to the use of this Base Prospectus (an "**Authorised Offeror**") in that connection, 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.

None of the Issuer, the Guarantor or 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 Non-exempt Offer and none of the Issuer or any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

Except in the circumstances set out in the following paragraphs, none of the Issuer, the Guarantor and any Dealer has authorised the making of any Non-exempt Offer by any offeror nor have they consented to the use of this Base Prospectus by any other person in connection with any Non-exempt Offer of Securities. Any Non-exempt Offer made without the consent of the Issuer is unauthorised and none of the Issuer, the Guarantor and any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer. If, in the context of a Non-exempt Offer, an Investor is offered Securities by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Base Prospectus for the purposes of Article 6 of the Prospectus Directive in the context of the Non-exempt Offer and, if so, who that person is. If the Investor is in any doubt about whether they can rely on this Base Prospectus and/or who is responsible for its contents they should take legal advice.

Consent

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

(1) the Issuer consents to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of such Securities during the relevant Consent Period (as defined below)by the relevant Dealer and by:

  (a) any financial intermediary named as an Initial Authorised Offeror in the applicable Final Terms; and

  (b) any financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Issuer's website (http://www.aboutsantander.co.uk/investors/debt-investors/abbey-omnibus-programme/authorised-offeror.aspx) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer; and

(2) 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 Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of Securities in the United Kingdom and/or Ireland and/or Austria and/or Germany (as specified in the applicable Final Terms) during the relevant Consent Period by any financial intermediary which satisfies the "*Specific Conditions to Consent*" set out below.

Common Conditions to Consent

The conditions to the Issuer's consent to the use of the Base Prospectus in the context of the relevant Non-exempt Offer of Securities are (in addition to the conditions described under "*Specific Conditions to Consent*" below if Part B of the applicable Final Terms specifies "General Consent" as "Applicable") that such consent:

(i) is only valid during the Consent Period;

(ii) only extends to the use of this Base Prospectus to make Non-exempt Offers of the relevant Tranche of Securities in each Relevant Member State, as specified in the applicable Final Terms; and

(iii) is subject to any other conditions set out in Part B of the applicable Final Terms.

Each Tranche of Securities may only be offered to Investors as part of a Non-exempt Offer in the Relevant Member State(s) 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.

As used herein, "**Consent Period**" means the period beginning on the start date of the relevant Offer Period specified in the applicable Final Terms and ending on the earliest of (i) the end date of the relevant Offer Period specified in the applicable Final Terms, (ii) the date occurring 12 months after the date of this Base Prospectus or (iii) in the event that the Base Prospectus is superseded by a base prospectus of the Issuer which is approved and published by the Issuer during the relevant Offer Period (a "**New Base Prospectus**") and the Issuer has amended, restated and issued the applicable Final Terms pursuant to the New Base Prospectus, the date on which such amended and restated Final Terms are published.

Specific Conditions to Consent

The conditions to the Issuer's consent are that:

(i) the financial intermediary must be authorised to make such offers under the Financial Services and Markets Act 2000 (the "**FSMA**"), as amended, or other applicable legislation implementing the Markets in Financial Instruments Directive (in which regard, Investors should consult the register maintained by the Financial Conduct Authority at: www.fsa.gov.uk/register/home.do or the applicable register in the Relevant Member State to which a Non-exempt Offer is made);

(ii) the financial intermediary accepts the Issuer's offer to grant consent to the use of this Base Prospectus 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 Securities] (the "**Securities**") described in the Final Terms dated [insert date] (the "**Final Terms** ") published by Abbey National Treasury Services plc (the "**Issuer** "). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Securities in [the United Kingdom] [,/and] [Austria] [,/and] [Germany] [and] [the Republic of Ireland] [delete as applicable] (the "**Offer** ") in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Offer accordingly".*

The "**Authorised Offeror Terms**", being the terms to which the relevant financial intermediary agrees in connection with using the Base Prospectus, are that the financial intermediary:-

(1) will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer, the Guarantor and the relevant Dealer that it will, at all times in connection with the relevant Non-exempt Offer:

(a) 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, where the Non-exempt Offer of Securities is being made in the United Kingdom, 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 Securities by any person and disclosure to any potential Investor, and will immediately inform the Issuer, the Guarantor 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;

(b) comply with the restrictions set out under "Subscription and Sale" in this Base Prospectus which would apply as if it were a Dealer;

(c) 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 Securities does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;

(d) hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Securities under the Rules, including, where a Non-exempt Offer of Securities is being made in the United Kingdom, authorisation under the FSMA;

(e) 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 Securities by the Investor), and will not permit any application for Securities in circumstances where the financial intermediary has any suspicions as to the source of the application monies;

(f) retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the Issuer, relevant Dealer and the Guarantor or directly to the FCA (or the appropriate authority with jurisdiction over any Dealer) in order to enable the Issuer, the Guarantor or relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the Issuer, the Guarantor or relevant Dealer;

(g) ensure that no holder of Securities or potential Investor in the Securities shall become an indirect or direct client of the Issuer, the Guarantor 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;

(h) co-operate with the Issuer, the Guarantor and the relevant Dealer in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (f) above) upon written request from the Issuer, the Guarantor 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, the Guarantor or the relevant Dealer:

(i) in connection with any request or investigation by the FCA or any other regulator in relation to the Securities, the Issuer, the Guarantor or the relevant Dealer; and/or

(ii) in connection with any complaints received by the Issuer, the Guarantor and/or the relevant Dealer relating to the Issuer, the Guarantor 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 a competent jurisdiction from time to time; and/or

(iii) which the Issuer, the Guarantor or the relevant Dealer may reasonably require from time to time in relation to the Securities and/or as to allow the Issuer, the Guarantor or the relevant Dealer fully to comply within 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;

(i) during the period of the initial offering of the Securities: (i) only sell the Securities at the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer); (ii) only sell the Securities for settlement on the Issue Date specified in the applicable 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 Securities (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;

(j) either (i) obtain from each potential Investor an executed application for the Securities, 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 Securities on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;

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

(l) comply with the conditions to the consent referred to under "*Common Conditions to Consent*" above and any further requirements relevant to the Non-exempt Offer as specified in the applicable Final Terms;

(m) make available to each potential Investor in the Securities the Base Prospectus (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 Base Prospectus and the applicable Final Terms; and

(n) if it conveys or publishes any communication (other than the Base Prospectus or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Non-exempt Offer) in connection with the relevant Non-exempt 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, the Guarantor and the relevant Dealer accept any responsibility for such communication and (C) does not, without the prior written consent of the Issuer, the Guarantor or the relevant Dealer (as applicable), use the legal or publicity names of the Issuer, the Guarantor 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 Securities and the Guarantor as the guarantor of the relevant Securities on the basis set out in the Base Prospectus, as supplemented at the relevant time;

(2) agrees and undertakes to indemnify each of the Issuer, the Guarantor 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, the Guarantor or the relevant Dealer; and

(3) agrees and accepts that:

(a) the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Base Prospectus with its consent in connection with the relevant Non-exempt Offer (the "**Authorised Offeror Contract**"), and any non-contractual obligations arising out of or

in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;

(b) subject to (d) below, the courts of England are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Authorised Offeror Contract (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a "**Dispute**") and the Issuer and financial intermediary submit to the exclusive jurisdiction of the English courts;

(c) for the purposes of (b) above and (d) below, the financial intermediary waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum to settle any dispute;

(d) to the extent permitted by law, the Issuer, the Guarantor and the 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

(e) the Guarantor and 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.

If the applicable Final Terms specify "General Consent" as "Applicable", a financial intermediary who is an Authorised Offeror and meets all of the conditions set out in "*Specific Conditions to Consent*" and "*Common Conditions to Consent*" above who wishes to use this Base Prospectus in connection with a Non-exempt Offer is required, for the duration of the relevant Consent Period, to publish on its website the statement (duly completed) specified at paragraph (ii) under "*Specific Conditions to Consent*" above.

ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS

AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY SECURITIES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH SECURITIES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE NON-EXEMPT OFFER OR SALE OF THE SECURITIES CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER. NONE OF THE ISSUER, THE GUARANTOR AND ANY DEALER (EXCEPT WHERE SUCH DEALER IS THE RELEVANT AUTHORISED OFFEROR) HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF THE INFORMATION DESCRIBED ABOVE.

Non-exempt Offers: Issue Price and Offer Price

Securities to be offered pursuant to a Non-exempt Offer will be issued by the Issuer at the Issue Price specified in the applicable Final Terms. The Issue Price will be determined by the Issuer in consultation with the relevant Dealer at the time of the relevant Non-exempt Offer and will depend, amongst other things, on the interest rate applicable to the Securities and prevailing market conditions at that time. The Offer Price of such Securities will be the Issue Price or such other price as may be agreed between an Investor and the Authorised Offeror making the offer of the Securities to such Investor. Neither the Issuer, the Guarantor or the relevant Dealer(s) will be party to arrangements between an Investor and an Authorised Offeror, and the Investor will need to look to the relevant Authorised Offeror to confirm the price at which such Authorised Offeror is offering the Securities to such Investor.

Information sourced from third parties

The applicable Issue Terms will (if applicable) specify the nature of the responsibility taken by the Issuer and the Guarantor (if applicable) for the information relating to the underlying asset, index or other asset or basis of reference to which the relevant Securities relate and which is contained in such Issue Terms.

The Dealers and the contents of this Base Prospectus

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme.

No person is or has been authorised by the Issuer, the Guarantor or any Dealer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers.

Independent Investigation

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Securities (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Guarantor or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Securities should purchase any Securities. Each investor contemplating purchasing any Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Securities constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor or any of the Dealers to any person to subscribe for or to purchase any Securities. Furthermore, neither this Base Prospectus, nor any other information supplied in connection with the Programme or any Securities is, nor does it purport to be, investment advice. Unless expressly agreed otherwise with a particular investor, none of the Issuer, the Guarantor or any Dealer is acting as an investment adviser or providing advice of any other nature, or assumes any fiduciary obligation, to any investor in Securities.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Securities shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Securities of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference in this Base Prospectus when deciding whether or not to purchase any Securities.

Credit Ratings

Securities issued under the Programme may be rated or unrated. Where a Tranche of Securities is rated such rating will be disclosed in the Final Terms (or Pricing Supplement, in the case of Exempt Securities).

Moody's Investors Service Ltd ("**Moody's**"), Fitch Ratings Ltd ("**Fitch**") and Standard & Poor's Credit Market Services Europe Limited ("**S&P**") are each established in the European Union and are each registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such Moody's, Fitch and S&P are included in the list of the credit rating agencies published by the ESMA on its website in accordance with such Regulation. 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. Please also refer to "*Ratings of the Securities*" in the "*Risk Factors*" section of this Base Prospectus.

Subscription and sales and transfer restrictions in the United States

Persons into whose possession offering material comes must inform themselves about and observe any such restrictions. This Base Prospectus does not constitute, and may not be used for or in connection with, an offer to any person to whom it is unlawful to make such an offer or a solicitation by anyone not authorised so to act. See "*Subscription and Sale*" below.

The Securities in bearer form that are debt for U.S. federal income tax purposes 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 or for the account or benefit of U.S. persons, 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 the U.S. Treasury regulations promulgated thereunder.

Important information relating to the use of this Base Prospectus and offers of Securities generally

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Securities may be restricted by law in certain jurisdictions. The Issuer, the Guarantor and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Securities 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, or that all actions have been taken by the Issuer, the Guarantor or the Dealers which would permit a public offering of any Securities or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. In particular, unless specifically indicated to the contrary in the applicable Issue Terms, no action has been taken by the Issuer, the Guarantor or the Dealers which would permit a public offering of any Securities or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Securities may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Securities. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Securities in the United States and the European Economic Area (including the United Kingdom and Ireland), see "*Subscription and Sale*".

Investment Considerations

The Securities may not be suitable for all investors.

Each potential investor in the Securities 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 if its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including Securities with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understands thoroughly the terms of the Securities and is familiar with the behaviour of any relevant indices and financial markets; and
- 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.

An investment in Equity Linked Securities, Equity Index/ETF Linked Securities, Inflation Index Linked Securities or Property Index Linked Securities may entail significant risks not associated with investments in conventional securities such as debt or equity securities, including, but not limited to, the risks set out in "*Risks associated with Securities that are linked to one or more Reference Item(s)*" below.

In making an investment decision, investors must rely on their own examination of the Issuer and the Guarantor and the terms of the Securities being offered, including the merits and risks involved.

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 services for the Issuer, the Guarantor and their respective affiliates.

None of the Dealers, the Issuer and the Guarantor makes any representation to any investor in the Securities regarding the legality of its investment under any applicable laws. Any investor in the Securities should satisfy itself that it is able to bear the economic risk of an investment in the Securities for an indefinite period of time.

Purchasers of such Securities are deemed to have sufficient knowledge, experience and professional advice to make their own investment decisions and to have undertaken their own legal, financial, tax, accounting and other business evaluation of the risks and merits of investments in such Securities and should ensure that they fully understand the risks associated with investments of this nature which are intended to be sold only to sophisticated investors. Purchasers of Securities are solely responsible for making their own independent appraisal of an investigation into the business, financial condition, prospects, creditworthiness, status and affairs of any Reference Item and the information relating to any Reference Item and the level or fluctuation of any Reference Item(s).

SEE THE SECTION ENTITLED "*RISK FACTORS*" BELOW FOR CERTAIN INFORMATION THAT SHOULD BE CONSIDERED BY INVESTORS IN THE SECURITIES

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The consolidated annual financial statements of the Issuer and the Guarantor for the years ended 31 December 2012 and 2011 were prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The half yearly financial reports of the Issuer and the Guarantor for the six months ended 30 June 2013 were prepared in accordance with International Accounting Standard 34.

In this Base Prospectus, all references to billions are references to one thousand millions. Due to rounding, the numbers presented throughout this Base Prospectus may not add up precisely, and percentages may not precisely reflect absolute figures.

All references in this document to "**EUR**", "**Euro**", "**euro**" and "**€**" are 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; references to "**USD**", "**U.S. dollars**", "**U.S.$**" and "**$**" are to the currency of the United States of America; and references to "**GBP**", "**Sterling**" and "**£**" are to the currency of the United Kingdom.

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In connection with the issue of any Tranche of Securities, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Issue Terms may over-allot Securities (provided that, in the case of any Tranche of Securities to be admitted to trading on a regulated market in the European Economic Area, the aggregate principal amount of Securities allotted does not exceed 105.00 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Securities of the Series (as defined below) of which such Tranche forms part 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 Securities 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 Securities and 60 days after the date of the allotment of the relevant Tranche of Securities. 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.

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 this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of not applicable.

SECTION A – INTRODUCTION AND WARNINGS

Element	
A.1	This summary should be read as an introduction to the Base Prospectus and the applicable Final Terms. Any decision to invest in any Securities should be based on a consideration of this Base Prospectus as a whole, including any documents incorporated by reference and the applicable Final Terms. Where a claim relating to information contained in the Base Prospectus 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 Base Prospectus and the applicable Final Terms before the legal proceedings are initiated. Civil liability attaches to the Issuer or the Guarantor in any such Member State solely on the basis of this summary, including any translation of it, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus and the applicable Final Terms or, following the implementation of the relevant provisions of Directive 2010/73/EU in the relevant Member State, it does not provide, when read together with the other parts of this Base Prospectus and the applicable Final Terms, key information in order to aid investors when considering whether to invest in the Securities.
A.2	Certain Tranches of Securities with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "**Non-exempt Offer**". ***Issue specific summary:*** [Not Applicable – the Notes are not being offered to the public as part of a Non-exempt Offer.] [*Consent:* Subject to the conditions set out below, the Issuer consents to the use of this Base Prospectus in connection with a Non-exempt Offer of Securities by the Dealers[, [*names of specific financial intermediaries listed in final terms*,] [and] [each financial intermediary whose name is published on the Issuer's website (http://www.aboutsantander.co.uk/investors/debt-investors/abbey-omnibus-programme/authorised-offeror.aspx) and identified as an Authorised Offeror in respect of the relevant Non-exempt 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 Directive 2004/39/EC ("**MiFID**") and publishes on its website the following statement (with the information in square brackets being completed with the relevant information): *"We, [insert name of financial intermediary], refer to the [insert title of relevant Securities] (the "**Securities**") described in the Final Terms dated [insert date] (the "**Final Terms**") published by Abbey National Treasury Services plc (the "**Issuer**"). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Securities in [insert Relevant Member State] (the " **Offer**") in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Offer accordingly".*] (each an "**Authorised Offeror**"). *Consent period:* The Issuer's consent referred to above is given for Non-exempt Offers of Securities during [*consent*

	period for the Securities to be specified here] (the "**Consent Period**"). *Conditions to consent:* 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 Consent Period[;/ and] (b) only extends to the use of this Base Prospectus to make Non-exempt Offers of the relevant Tranche of Securities in [*specify each Relevant Member State in which the particular Tranche of Securities can be offered*]] [and (c) [*specify any other conditions applicable to the Non-exempt Offer of the particular Tranche, as set out in the Final Terms*]]. **AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY SECURITIES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH SECURITIES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER.**]

SECTION B– ISSUER AND GUARANTOR

Element	
B.1	**Legal and commercial name of the Issuer** Abbey National Treasury Services plc
B.2	**Domicile / legal form / legislation / country of incorporation** The Issuer is a public limited company incorporated and domiciled in England and Wales, registered under the Companies Act 1985.
B.4b	**Trend information** A number of mature economies are implementing austerity measures in order to reduce their deficits and public debt. While there is some consensus that this may help to resolve the sovereign and banking crisis in the medium term, in the short term it is limiting growth, increasing unemployment and restricting taxation revenues. Furthermore, consumer and corporate banking activity, in particular loan demand and ancillary services, remains subdued in the current economic environment. Structural market conditions, primarily low interest rates and increased medium term funding costs, have negatively impacted operating income of financial service providers including that of the Group. Financial services providers face increasingly stringent and costly regulatory and supervisory requirements, particularly in the areas of capital and liquidity management, the conduct of business, the structure of operations and the integrity of financial services delivery. Increased government intervention and control over financial institutions, together with measures to reduce systemic risk, may significantly impact the competitive landscape.
B.5	**Description of the Group** The Issuer and its subsidiaries comprise the Issuer's immediate group (the "**ANTS Group**"). The Issuer is a wholly owned subsidiary of Santander UK plc (the "**Guarantor**") and, along with the Guarantor's other subsidiaries, forms part of the Santander UK group (the "**Santander UK Group**"). The Guarantor is a subsidiary of Banco Santander, S.A. which is the ultimate parent company. The Guarantor and its subsidiaries, along with the other subsidiaries of Banco Santander, S.A., form part of the Banco Santander S.A. group (the "**Santander Group**").
B.9	**Profit forecast or estimate** Not Applicable - No profit forecasts or estimates have been made in the Base Prospectus.
B.10	**Audit report qualifications** Not Applicable - No qualifications are contained in any audit report included in the Base Prospectus.

B.12 **Selected historical key financial information**

The audited consolidated balance sheet as at 31 December 2011, 31 December 2012 and unaudited consolidated balance sheet as at 30 June 2013 and income statement as of, and for each of the years ended, 31 December 2011 and 2012 and unaudited income statement as of, and for the six month periods ended 30 June 2012 and 30 June 2013, have been extracted without any adjustment from, and should be read in conjunction with, the Issuer's consolidated financial statements in respect of those dates and periods:

Condensed Consolidated Balance Sheet

	30 June 2013 (unaudited) £m	31 December 2012 (audited) £m	31 December 2011 (audited) £m
Assets			
Cash and balances at central banks	9,284	388	7,013
Trading assets	31,163	22,498	21,891
Derivative financial instruments	27,268	33,276	33,224
Financial assets designated at fair value	2,567	3,531	4,429
Loans and advances to banks	108,584	106,986	113,222
Loans and advances to customers	40,963	44,750	38,826
Available-for-sale securities	4,313	5,113	-
Loans and receivables securities	165	162	278
Macro hedge of interest rate risk	808	1,171	1,141
Intangible assets	8	7	3
Property, plant and equipment	6	6	5
Deferred tax assets	20	20	17
Other assets	83	4	43
Total assets	225,232	217,912	220,092
Liabilities			
Deposits by banks	118,010	114,535	114,019
Deposits by customers	5,820	6,249	7,114
Derivative financial instruments	27,934	34,088	35,417
Trading liabilities	34,790	21,109	25,745
Financial liabilities designated at fair value	5,277	4,002	6,836
Debt securities in issue	28,982	33,770	26,980
Other liabilities	179	169	142
Provisions	-	20	20
Current tax liabilities	217	175	319
Total liabilities	221,209	241,117	216,592
Equity			
Share capital	2,549	2,549	2,549
Retained earnings	1,482	1,226	935
Other reserves	(8)	20	16
Total shareholders' equity	4,023	3,795	3,500
Total liabilities and equity	225,232	217,912	220,092

	Condensed Consolidated Income Statement				
		Six months ended 30 June 2013 (unaudited) £m	Six months ended 30 June 2012 (unaudited) £m	Year ended 31 Dec 2012 (audited) £m	Year ended 31 Dec 2011 (audited) £m
	Interest and similar income	1,593	1,839	3,870	3,667
	Interest expense and similar charges	(1,601)	(1,865)	(3,731)	(3,156)
	Net interest income	(8)	(26)	139	511
	Net fee and commission income	61	72	119	113
	Net trading and other income	375	215	304	(46)
	Total operating income	428	261	562	578
	Administration expenses	(108)	(105)	(198)	(229)
	Depreciation, amortisation and impairment	(1)	(1)	(3)	(7)
	Total operating expenses excluding provisions and charges	(109)	(106)	(201)	(236)
	Impairment losses on loans and advances	(18)	(20)	(9)	(54)
	Provisions for other liabilities and charges	-	-	(20)	(20)
	Total operating provisions and charges	(18)	(20)	(29)	(74)
	Profit before tax	301	135	332	268
	Taxation charge	(45)	(15)	(68)	(104)
	Profit for the period	256	120	264	164
	Statements of no significant or material adverse change There has been no significant change in the financial position of the ANTS Group (including the Issuer) since 30 June 2013 and there has been no material adverse change in the prospects of the Issuer since 31 December 2012.				
B.13	**Events impacting the Issuer's solvency** Not Applicable - There are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.				
B.14	**Dependence upon other group entities** The Issuer is dependent upon the Guarantor for a portion of its funding. The Guarantor has given a full and unconditional guarantee in respect of the unsubordinated liabilities of the Issuer incurred prior to 30 June 2015 under a deed poll guarantee entered into by the Guarantor on 10 May 2012. The Issuer has given a reciprocal guarantee in respect of the unsubordinated liabilities of the Guarantor incurred prior to 30 June 2015. Neither the Issuer nor the Guarantor relies on a guarantee from Banco Santander, S.A. or any other member of the Santander Group to generate funding or liquidity. Similarly, neither the Issuer nor the Guarantor raises funds to finance or guarantee the debts of other members of the Santander Group. See further Element B.5 above.				
B.15	**Principal activities** The Issuer's business consists of three main divisions: Corporate Banking, Markets and Corporate Centre. **(a)** ***Corporate Banking*** Corporate Banking offers a wide range of products and financial services to customers through a network of regional business centres and through telephony and e-commerce channels. Corporate Banking products and services include loans, bank accounts, deposits, treasury services, invoice discounting, cash transmission and asset finance. The SME and Mid Corporate business principally serves small and medium enterprises with an annual turnover of more than £250,000 up to £50m ("**SME**s") and other corporate customers with an annual turnover of up to £500m. This also includes real estate lending. The Large Corporates business offers specialist treasury services in fixed income and foreign exchange, lending,				

	transactional banking services, capital markets and money markets to large multi-national corporate customers with an annual turnover of more than £500m. Lending includes syndicated loans and structured finance. Transactional banking includes trade finance and cash management. Money market activities include securities lending/borrowing and repos. **(b)** ***Markets*** Markets offers risk management and other services to financial institutions, as well as other Santander UK divisions. Its main product areas are fixed income and foreign exchange, equity, capital markets and institutional sales. **(c)** ***Corporate Centre*** Corporate Centre includes Financial Management and Investor Relations ("**FMIR**") and the non-core portfolios of social housing loans and structured credit assets. FMIR is responsible for managing capital and funding, balance sheet composition, structural market risk and strategic liquidity risk for the Santander UK Group. The non-core portfolios are being run-down and/or managed for value.
B.16	**Controlling shareholders** The Issuer is a wholly and directly owned subsidiary of the Guarantor.
B.17	**Credit ratings** The long-term debt of the Issuer has been rated A2 by Moody's Investors Service Ltd ("**Moody's**") and A by Fitch Ratings Ltd. ("**Fitch**") and the short-term debt of the Issuer has been rated P-1 by Moody's and F1 by Fitch. Securities issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Series of Securities is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Issuer by the relevant rating agency. [***Issue specific summary:*** The Securities [have been/are expected to be] rated [*specify rating(s) of Series being issued*] by [*specify rating agent(s)*]. 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.]
B.18	**Description of the Guarantee** The Securities will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under its guarantee will be direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and will rank *pari passu* and equally with all present and future unsecured and unsubordinated obligations of the Guarantor without any preference among themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.
B.19	**Information about the Guarantor** **B.1 Legal and commercial name of the Guarantor** Santander UK plc
	B.2 Domicile / legal form / legislation / country of incorporation The Guarantor is a public limited liability company incorporated and domiciled in England and Wales, registered under the Companies Act 1985.
	B.4b Trend information See Element B.4b above.
	B.5 Description of the Group See Element B.5 above.

B.9 Profit forecast or estimate

Not Applicable - No profit forecasts or estimates have been made in the Base Prospectus.

B.10 Audit report qualifications

Not Applicable - No qualifications are contained in any audit report included in the Base Prospectus.

B.12 Selected historical key financial information

The audited consolidated balance sheet as at 31 December 2011 and 31 December 2012 and the audited consolidated income statement for each of the years ended 31 December 2011 and 31 December 2012, have been extracted without any adjustment from, and should be read in conjunction with, the Guarantor's consolidated financial statements in respect of those dates and periods. The unaudited condensed consolidated balance sheet as at 30 September 2013 and unaudited condensed consolidated income statement for the nine month periods ended 30 September 2013 and 30 September 2012 have been extracted without any adjustment from, and should be read in conjunction with, the Guarantor's condensed consolidated financial information in respect of these periods. The unaudited balance sheet as at 31 December 2012 and unaudited income statement for the nine month period ended 30 September 2012 included below for comparative purposes have been restated to reflect discontinued operations relating to the sale of the co-brands card business:

Consolidated Balance Sheet as at 31 December 2012 and 31 December 2011

	31 December 2012 (audited) £m	31 December 2011 (audited) £m
Assets		
Cash and balance at central banks	29,282	25,980
Trading assets	22,498	21,891
Derivative financial instruments	30,146	30,780
Financial assets designated at fair value	3,811	5,005
Loans and advances to banks	2,438	4,487
Loans and advances to customers	191,907	201,069
Available-for-sale securities	5,483	46
Loans and receivables securities	1,259	1,771
Macro hedge of interest rate risk	1,222	1,221
Intangible assets	2,325	2,142
Property, plant and equipment	1,541	1,596
Current tax assets	50	-
Deferred tax assets	60	257
Retirement benefit assets	254	241
Other assets	768	1,088
Total assets	293,044	297,574
Liabilities		
Deposits by banks	9,935	11,626
Deposits by customers	149,037	148,342
Derivative financial instruments	28,861	29,180
Trading liabilities	21,109	25,745
Financial liabilities designated at fair value	4,002	6,837
Debt securities in issue	59,621	52,651
Subordinated liabilities	3,781	6,499
Other liabilities	2,526	2,571
Provisions	914	970
Current tax liabilities	4	271
Retirement benefit obligations	305	216
Total liabilities	280,095	284,908
Equity		

Share capital and other equity instruments	3,999	3,999
Share premium	5,620	5,620
Retained earnings	3,312	3,021
Other reserves	18	26
Total shareholders' equity	12,949	12,666
Total liabilities and equity	293,044	297,574

Condensed Consolidated Balance Sheet as at 30 September 2013 and 31 December 2012*

	30 September 2013 (unaudited) £m	31 December 2012* (unaudited) £m
Assets		
Cash and balance at central banks	32,468	29,282
Trading assets	33,281	22,498
Derivative financial instruments	25,976	30,146
Financial assets designated at fair value	2,762	3,811
Loans and advances to banks	2,389	2,438
Loans and advances to customers	185,912	190,782
Available-for-sale securities	4,504	5,483
Loans and receivables securities	1,162	1,259
Macro hedge of interest rate risk	789	1,222
Intangible assets	2,327	2,325
Property, plant and equipment	1,456	1,541
Current tax assets	42	50
Deferred tax assets	48	60
Retirement benefit assets	209	254
Other assets	1,229	1,893
Total assets	294,554	293,044
Liabilities		
Deposits by banks	9,140	9,935
Deposits by customers	149,050	149,037
Derivative financial instruments	24,993	28,861
Trading liabilities	34,998	21,109
Financial liabilities designated at fair value	5,415	4,002
Debt securities in issue	51,982	59,621
Subordinated liabilities	3,409	3,781
Other liabilities	1,697	2,526
Provisions	579	914
Current tax liabilities	3	4
Retirement benefit obligations	451	305
Total liabilities	281,717	280,095
Equity		
Shareholders' equity	12,837	12,949
Total equity	12,837	12,949
Total liabilities and equity	294,554	293,044

Data as at 31 December 2012 (where marked with an '' in the column title and specified as 'unaudited') has been restated to reflect discontinued operations relating to the sale of the co-brands card business.

Consolidated Income Statement for years ended 31 December 2012 and 31 December 2011

	Year ended 31 December 2012 (audited) £m	Year ended 31 December 2011 (audited) £m
Interest and similar income	7,621	7,618
Interest expense and similar charges	(4,706)	(3,788)
Net interest income	2,915	3,830

	Fee and commission income	1,164	1,138
	Fee and commission expense	(264)	(220)
	Net fee and commission income	900	918
	Net trading and other income	1,086	437
	Total operating income	4,901	5,185
	Administration expenses	(1,976)	(1,995)
	Depreciation, amortisation and impairment	(246)	(447)
	Total operating expenses excluding provisions and charges	(2,222)	(2,442)
	Impairment losses on loans and advances	(1,009)	(565)
	Provisions for other liabilities and charges	(439)	(917)
	Total operating provisions and charges	(1,448)	(1,482)
	Profit before tax	1,231	1,261
	Taxation charge	(292)	(358)
	Profit for the year	939	903
	Condensed Consolidated Income Statement for 9 month periods ended 30 September 2013 and 30 September 2012*		
		Nine months ended 30 September 2013 (unaudited) £m	Nine months ended 30 September 2012* (unaudited) £m
	Net interest income	2,151	2,105
	Non-interest income	807	1,656
	Total operating income	2,958	3,761
	Administration expenses	(1,470)	(1,428)
	Depreciation, amotisation and impairment	(180)	(178)
	Total operating expenses excluding provisions and charges	(1,650)	(1,606)
	Impairment losses on loans and advances	(360)	(828)
	Provisions for other liabilities and charges	(57)	(287)
	Total operating provisions and charges	(417)	(1,115)
	Profit before tax on continuing operations	891	1,040
	Taxation charge on continuing operations	(174)	(255)
	Profit after tax from continuing operations	717	785
	Discontinued operations	(12)	42
	Profit after tax for the period	705	827

*Data for the 9 months ended 30 September 2012 has been restated to reflect discontinued operations relating to the sale of the co-brands card business.

Statements of no significant or material adverse change

There has been no significant change in the financial position of the Santander UK Group (including the Guarantor) since 30 September 2013 and there has been no material adverse change in the prospects of Santander UK plc since 31 December 2012.

B.13 Events impacting the Guarantor's solvency

Not Applicable - There are no recent events particular to the Guarantor which are to a material extent relevant to an evaluation of its solvency.

B.14 Dependence upon other Group entities

The Guarantor is dependent upon the Issuer and the other members of the Santander UK Group. See further Element B.5 and Element B.14 above.

B.15 The Guarantor's Principal activities

The Guarantor's business divisions consist of Retail Banking, Corporate Banking, Markets and Corporate Centre.

Retail Banking

Retail Banking offers a wide range of products and financial services to customers through a network of branches, agencies and ATMs, as well as through telephony, e-commerce and intermediary channels. It principally serves personal banking customers, but also services small businesses with a turnover of less than £250,000 per annum. Retail Banking products include residential mortgage loans, savings and current accounts, credit cards (excluding the co-brand credit card business) and personal loans as well as a range of insurance products.

Corporate Banking

Corporate Banking offers a wide range of products and financial services to customers through a network of regional business centres and through telephony and e-commerce channels. Corporate Banking products and services include loans, bank accounts, deposits, treasury services, invoice discounting, cash transmission and asset finance.

The SME and mid corporate business principally serves small and medium enterprises with an annual turnover of more than £250,000 up to £50m ("**SME**s"), and other corporate customers with an annual turnover of up to £500m. This also includes real estate lending.

The Large Corporates business offers specialist treasury services in fixed income and foreign exchange, lending, transactional banking services, capital markets and money markets to large multinational corporate customers with an annual turnover of more than £500m. Lending includes syndicated loans and structured finance. Transactional banking includes trade finance and cash management. Money market activities include securities lending/borrowing and repos.

Markets

Markets offers risk management and other services to financial institutions, as well as other Santander UK divisions. Its main product areas are fixed income and foreign exchange, equity, capital markets and institutional sales.

Corporate Centre

Corporate Centre includes Financial Management & Investor Relations ("**FMIR**") and the non-core corporate and legacy portfolios as well as the co-brand credit card business. FMIR is responsible for managing capital and funding, balance sheet composition, structural market risk and strategic liquidity risk for Santander UK. The non-core corporate and legacy portfolios include aviation, shipping, infrastructure, commercial mortgages, social housing loans and structured credit assets, all of which are being run-down and/or managed for value. Deals to sell the co-brand credit cards were completed in the first half of 2013.

B.16 Controlling shareholders

As at the date of this Prospectus, shares in the Guarantor are beneficially owned by Santander UK Group Holdings Limited, which is a directly owned subsidiary of Banco Santander, S.A. and its indirect wholly owned subsidiary company Santusa Holding, S.L. Legal ownership of shares in the Guarantor will transfer from Banco Santander, S.A. and Santusa Holding, S.L. to Santander UK Group Holdings Limited upon receipt of stamped stock transfer forms from the Stamp Office.

B.17 Credit ratings

The long-term debt of the Guarantor has been rated A by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), A2 by Moody's Investors Service Ltd ("**Moody's**") and A by Fitch Ratings Ltd. ("**Fitch**") and the short-term debt of the Guarantor has been rated A-1 by S&P, P-1 by Moody's and F1 by Fitch.

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	
C.1	**Type and class of the Securities** The Issuer may issue the following types of Securities: notes ("**Notes**"), redeemable certificates ("**Certificates**" and, together with Notes, "**N&C Securities**") and warrants ("**Warrants**" and, together with the N&C Securities, "**Securities**") pursuant to the Programme. N&C Securities may be fixed rate N&C Securities, floating rate N&C Securities, zero coupon N&C Securities, non-interest bearing N&C Securities, variable interest rate N&C Securities or variable redemption N&C Securities or, if partial redemption N&C Securites, may be fixed rate N&C Securities and variable interest N&C Securities. In respect of variable interest and/or variable redemption N&C Securities, the applicable Final Terms will specify whether a N&C Security is an equity linked N&C Security, an equity index/ETF linked N&C Security, an inflation index linked N&C Security, a property index linked N&C Security or a cross-asset linked N&C Security. The N&C Securities may also be redeemed at par. Warrants may be equity linked Warrant, an equity index/ETF Linked Warrant, an inflation index linked Warrant, a property index linked Warrant or a cross-asset linked Warrant. The Warrants may either be European style Warrants, American style Warrants or Bermudan style Warrants. The security identification number of the Securities will be set out in the applicable Final Terms. [***Issue specific summary*** Title of Securities: [●] Series Number: [●] Tranche Number [●] ISIN Code: [●] Common Code: [●] [The Notes will be consolidated and will form a single Series with [*identify earlier Tranches*] on [●].]
C.2	**Currency of the Securities** Subject to compliance with all relevant laws, regulations and directives, the Securities may be denominated or settled in any agreed currency. **[*Issue specific summary*** Currency of the Securities: [●]]
C.5	**Restrictions on free transferability** The Securities may not be transferred prior to the Issue Date. Selling restrictions apply to offers, sales or transfers of the Securities under the applicable laws in various jurisdictions. A purchaser of the Securities is required to make certain agreements and representations as a condition to purchasing the Securities.

	The minimum denominations of each N&C Security will be €1,000 (or the equivalent amount in a currency other than euro).

C.8 **Description of the rights attaching to the Securities**

Status: The Securities constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank *pari passu* without preference amongst themselves and, subject to any applicable statutory provisions or judicial order, at least equally with all other present and future direct, unconditional, unsecured and unsubordinated obligations of the Issuer.

Guarantee: The Securities have the benefit of an unconditional and irrevocable guarantee by the Guarantor. Such obligations of the Guarantor constitute direct, unconditional, unsecured and unsubordinated obligations and rank *pari passu* with all present and future direct, unconditional, unsecured and unsubordinated obligations of the Guarantor, without preference amongst themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except obligations given priority by law.

Negative pledge: The Securities do not have the benefit of a negative pledge or cross-default provisions (in respect of events of default).

Deed of covenant: The Securities have the benefit of a deed of covenant dated 21 February 2013.

Right to interest: N&C Securities may bear interest as determined in accordance with item C.9 below.

Right to redemption: The early redemption amount, final redemption amount or cash settlement amount (where applicable) is determined in accordance with item C.9 below.

Taxation: All payments in respect of the Securities will be made without deduction for or on account of withholding taxes imposed by any tax jurisdiction unless such deduction is required by law. In the event that any such deduction is required, neither the Issuer nor, as the case may be, the Guarantor will be required to pay any additional amounts to cover the amounts so deducted. Further, all payments in respect of the Securities will be made subject to any withholding or deduction required pursuant to fiscal and other laws, as provided in Condition 6.5(B) of the General Terms and Conditions of the N&C Securities, and Condition 9.3 of the General Terms and Conditions of the Warrants.

Events of Default: This includes non-payment, non-performance or non-observance of the Issuer's or Guarantor's obligations in respect of the Securities and also the insolvency or winding up of the Issuer or the Guarantor. An event of default will only be treated as such if at least 25% of the Securityholders in nominal amount or number of units, as applicable, have requested this.

Governing law: English law.

C.9 **Payment Features**

[***Issue specific summary:***

Issue Price:	[[●] per cent of the Aggregate Nominal Amount/[●] per Security]
Issue Date:	[●]
Calculation Amount:	[●]
Maturity Date / Settlement Date:	[●]
Early Redemption Amount / Early Cancellation Amount:	[Final Redemption Amount]/[●]/[the Amortised Face Amount calculated in accordance with the following formula: RP x $(1 + AY)^y$, where RP is [*insert Reference Price*], AY is [*insert Accrual Yield*] and ^{y} is [30/360]/[Actual/360]/[Actual/365]]/[The fair market value of the N&C Securities less associated costs]/[the fair market value of the Warrants plus any exercise price paid less associated costs]

Set out relevant payment features below, completing or, where not relevant, deleting the following provisions:

	For partial redemption N&C Securities, insert the following and one of Interest Payment Option 1, Interest Payment Option 2 or Interest Payment Option 3 below: *Partial redemption N&C Securities will pay interest comprising, (i) in respect of the nominal amount of each N&C Security equal to the such nominal amount multiplied by the Partial Redemption Nominal Percentage, such part will accrue interest at a fixed rate of [insert amount] per cent. [per annum] and, (ii) in respect of the nominal amount of each N&C Security equal to such nominal amount multiplied by the Outstanding Partial Redemption Nominal Percentage as follows:* ***For variable interest rate N&C Securities, any of the following Interest Payment Options may apply:*** *Interest Payment Option 1* *Calculation Amount * Rate of Interest* *Interest Payment Option 2* *(1) If the Barrier Condition is satisfied:* *Calculation Amount * Rate of Interest $_{n=1}$; or* *(2) If the Barrier Condition is not satisfied:* *Calculation Amount * Rate of Interest $_{n=2}$* *Interest Payment Option 3* *(1) If the Barrier Condition is satisfied:* *Calculation Amount * Rate of Interest; or* *(2) If the Barrier Condition is not satisfied:* *zero* *Interest amounts if any become due on the relevant Interest Payment Date(s) specified below. [The yield of the N&C Securities is [ ] determined as described in the applicable Final Terms. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield. (insert if Fixed Rate N&C Securities only)]* ***For variable redemption N&C Securities or variable settlement Warrants that may be terminated prior to their respective final redemption or settlement date, the following may apply:*** *(1) N&C Securities - Subject to any prior purchase and cancellation or early redemption, each N&C Security may be early redeemed at the Automatic Early Redemption Amount which will be equal to the Autocallable Amount on the relevant Automatic Early Redemption Date in [●] if the Calculation Agent determines that Barrier Condition is satisfied:* *(2) Warrants - If Barrier Condition has been satisfied, the Cash Settlement Amount shall be equal to the applicable Autocallable Amount. Otherwise it is determined as provided below:* *Such redemption or settlement amounts will become payable, or in the case of Warrants subject to due exercise having occurred, will become payable on the relevant Maturity Date or Settlement Date specified in Element C16 below.* ***For partial redemption N&C Securities the following may apply:*** *Subject to any prior purchase and cancellation or early redemption, each N&C Security may be redeemed:*

	(1) in part by payment of the Partial Redemption Amount in the [Specified Currency] on the Partial Redemption Date, which amount shall be deemed to be the first instalment of principal in respect of the relevant N&C Security; and [either *(2) in part, such part representing the final instalment in respect of the N&C Security, at the Autocallable Amount on the relevant Automatic Early Redemption Date in [Specified Currency] if the Calculation Agent determines that Barrier Condition is [not] satisfied; or]* *([2/3]) in part, such part representing the final instalment in respect of the N&C Security, on the Maturity Date at an amount in [Specified Currency] determined by the Calculation Agent in accordance with the methodology provided below:* ***For variable redemption Securities terminated on the final redemption or settlement date, any of the following may apply:*** *(1) N&C Securities – Subject to any prior purchase and cancellation or early redemption, each N&C Security will be redeemed on the Maturity Date at an amount in [Specified Currency] determined by the Calculation Agent in accordance with the methodology provided below:* *(2) Warrants – Unless previously exercised or cancelled, the Cash Settlement Amount per Warrant will be an amount in [Specified Currency] determined by the Calculation Agent in accordance with the methodology provided below:* *Final Payment Option 1* *Calculation Amount * [[●] per cent. + Bonus Amount - Barrier Return]* *Final Payment Option 2* *Calculation Amount * [[●] per cent. + [[●] per cent. * Max[Floor, Min(Cap, ((Participation * Asset Final Performance) [+/-] [●] per cent.))]] [+/-]* *(a) [Max(Floor, Min(Cap, (Participation * Asset Final Performance)))];* *(b) [Bonus]; or* *(c) [Barrier Return]]* *Final Payment Option 3* *(1) If the Barrier Condition has been satisfied:* *Calculation Amount * [Max(Floor, Min(Cap, (Participation * Asset Final Performance)))]* *(2) If the Barrier Condition has not been satisfied:* *Calculation Amount * [Max(Floor, Min(Cap, (Participation * Asset Final Performance))) – Max(Floor, (Participation * Asset Final Performance))] [+/-] [Bonus]* *Final Payment Option 4* *(1) If the Barrier Condition has been satisfied:* *Calculation Amount * [Outstanding Partial Redemption Nominal Percentage *] [[●] per cent.] [[●] per cent. + [[●] per cent. * Min[$Cap_{n=1}$, Max(Floor, (Participation * Asset Final Performance), $Cap_{n=2}$)]]]*

	(2) If the Barrier Condition has not been satisfied: *Calculation Amount * [Outstanding Partial Redemption Nominal Percentage *] [[●] per cent.] [[●] per cent. + [[●] per cent. * Max[Floor, Min (Cap, (Participation * Asset Final Performance))]]] [(Participation * Asset Final Performance)]* *Final Payment Option 5* *(1) If Asset Final Performance is greater than or equal to $Barrier_{n=1}$,:* *Calculation Amount * [●] per cent.* *(2) If Asset Final Performance is less than $Barrier_{n=1}$ but greater than or equal to $Barrier_{n=2}$:* *Calculation Amount * [[●] per cent.] [Max(Floor, Min(Cap, (Participation * Asset Final Performance)))] [(Participation * Asset Final Performance)]* *(3) If Asset Final Performance is less than $Barrier_{n=2}$:* *Calculation Amount * [Min(Cap, (Participation * Asset Final Performance))] [Max(Floor, Min(Cap, (Participation * Asset Final Performance))) – Max(Floor, (Participation * Asset Final Performance))] [(Participation * Asset Final Performance)]* *Final Payment Option 6* *(1) If the Barrier Condition is satisfied:* *Calculation Amount * [[●] per cent.] [[●] per cent. + [[●] per cent. * Max[Floor, Min(Cap, (Participation * Asset Final Performance))]]]* *(2) If the Barrier Condition is not satisfied and:* *(a) the Trigger Condition is satisfied:* *Calculation Amount * [[●] per cent.] [Max[Floor, Min(Cap, (Participation * Asset Final Performance))]]* *(b) the Trigger Condition is not satisfied:* *Calculation Amount * [[●] per cent.] [Max[Floor, Min(Cap, (Participation * Asset Final Performance))]] [(Participation * Asset Final Performance)]* *Final Payment Option 7* *(1) If the Barrier Condition has been satisfied and:* *(a) Asset Final Performance is greater than [or equal to] the Barrier:* *Calculation Amount * [[●] per cent.] [[●] per cent. + (Cap * (Participation * Asset Final Performance))]* *(b) Asset Final Performance is less than [or equal to] the Barrier:* *Calculation Amount * [●] per cent.*

(2) If the Barrier Condition has not been satisfied:

*Calculation Amount * (Participation * Asset Final Performance)*

Final Payment Option 8

(1) If Asset Final Performance is greater than the Barrier:

*Calculation Amount * [●] per cent.*

(2) If Asset Final Performance is equal to the Barrier:

*Calculation Amount * [●] per cent.*

(3) If Asset Final Performance is less than the Barrier:

*Calculation Amount * (Participation * Asset Final Performance)*

Set out the relevant definitions from the below, completing or, where not relevant, deleting the following provisions:

For these purposes:

*"**Asset**" means in relation to the relevant Asset Class, a Single Asset or a constituent of a Basket Asset as set out in Element C20 below.*

*"**Asset Class**" means [shares [and]/depositary receipts [and]/equity index(ices) [and]/exchange traded funds [and]/inflation index(ices) [and]/property index(ices) [and]/fixed income benchmark(s)].*

*"**Asset Early**" [means the] [Max] [Min] [Asset Level] [on the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date]] [Average Level] [Observation Level] [is as specified in the table below: insert table] [,] [Barrier].*

*"**Asset Early Performance**" means the [Early Performance] [Early Performance (Call Spread)] [Early Performance (Rolling Lookback)] [Early Weighted Performance] of [the] [each] [Asset] [Early Laggard] [Early Outperformer].*

*"**Asset Final**" means [the] [Max] [Min] [Asset Level on the Final Valuation Date] [Average Level] [,] [Observation Level].*

*"**Asset Final Performance**" means the [Final Performance] [Final Performance (Call Spread)] [Final Performance (Lookback)] [Final Performance (Temporis)] [Final Weighted Performance] [Enhanced Weighted Performance] [Upside Performance] [Downside Performance] [Weighted Performance] of [all] the [Asset[s]] [Final Laggard] [Final Outperformer].*

*"**Asset Initial**" means [the] [Max] [Min] [Asset Level on the Initial Valuation Date] [Average Level] [Observation Level] [,] [Barrier].*

*"**Asset Level**" means the [Opening Level] [Closing Level] [Intraday Level] [Observation Level] of the relevant Asset.*

*"**Asset Lookback**" [means the] [Asset Level on the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date]] [Average Level] [is as specified in the table below: insert table].*

*"**Autocallable Amount**" [has the value set out in the table below in relation to the [Scheduled Observation Date] [Valuation Date] [Calculation Date] specified in such table in respect of which the Autocallable Amount has become payable or is triggered][means the Partial Redemption Autocall Amount].*

*"**Automatic Early Redemption Date**" means [insert].*

	*"**Average Level**" means the arithmetic average of each [Opening Level] [Closing Level] [Intraday Level] [Observation Level] observed by the Calculation Agent on each Averaging Date.* *"**Averaging Date**" means each of [●].* *"**Barrier**" means [[●] per cent.] [n * [●] per cent.] [Asset Initial * [●] per cent.] [Asset Initial * n * [●] per cent.] [Asset Early * [●] per cent.] [Asset Early * n* [●] per cent.] [Asset Lookback * [●] per cent.] [Asset Lookback * n * [●] per cent.].* *"**Barrier (Early)**" means:* *(a) where Barrier Condition Early (European) is applicable:* *[[●] per cent.] [n * [●] per cent.]; or* *(b) where Barrier Condition Early (Bermudan) is applicable:* *[[●] per cent.] [n * [●] per cent.];or* *(c) where Barrier Condition Early (American) is applicable:* *[Asset Initial * [●] per cent.] / [Asset Initial * [●] per cent. * n].* *"**Barrier (Final)**" means:* *(a) where Barrier Condition Final (European) is applicable, [●] per cent.; or* *(b) where Barrier Condition Final (American) is applicable, Asset Initial * [●] per cent.* *"**Barrier Condition**" shall mean [Barrier Condition Early] [Barrier Condition Final].* *"**Barrier Condition Early**" shall mean [Barrier Condition Early (European)] [Barrier Condition Early (Bermudan)] [Barrier Condition Early (American)].* *"**Barrier Condition Early (American)**" shall be deemed satisfied if the Calculation Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] [related to the relevant Barrier Early Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is at [all] [the] [any] time[s] greater than [or equal to] Barrier (Early).* *"**Barrier Condition Early (Bermudan)**" shall be deemed satisfied if the Calculation Agent determines that on any [Scheduled Observation Date] [Valuation Date] [Calculation Date] [during the Observation Period], Asset Early Performance is greater than [or equal to] Barrier (Early).* *"**Barrier Condition Early (European)**" shall be deemed satisfied if the Calculation Agent determines that on [the relevant] [each] [Scheduled Observation Date] [Valuation Date] [Calculation Date], Asset Early Performance is greater than [or equal to] Barrier (Early).* *"**Barrier Condition Final**" shall mean [Barrier Condition Final (European)] [Barrier Condition Final (American)].* *"**Barrier Condition Final (American)**" shall be deemed satisfied if the Calculation Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is [at] [all] [any] [time[s]] greater than [or equal to] Barrier (Final).* *"**Barrier Condition Final (European)**" shall be deemed satisfied if the Calculation Agent determines that on the Final Valuation Date the Asset Final Performance is greater than [or equal to] Barrier (Final).*

	*"**Barrier Early Calculation Date**" means [date to be specified] [each Scheduled Observation Date] [Valuation Date] [Calculation Date].* *"**Barrier Return**" shall mean an amount determined by the Calculation Agent in accordance with the following methodology:-* *(a) if Asset Final Performance is greater than [or equal to] the Barrier,* ***[●] per cent.*** *(b) if Asset Final Performance is less than [or equal to] the Barrier:* ***Max[(Cap [+/-] (Participation * Asset Final Performance)), Floor]*** *"**Basket Asset**" means an Asset that is a constituent of a basket of Assets.* *"**Bonus**" means an amount calculated and determined by the Calculation Agent in accordance with the following:* (a) *If the Asset Final Performance is greater than [or equal to] Barrier,* ***[[●] per cent.] [Min[Max(Floor, (Participation * Asset Final Performance)), Cap]]*** (b) *If the Asset Final Performance is less than [or equal to] Barrier,* ***[●] per cent.*** *"**Bonus Amount**" shall be determined by the Calculation Agent in respect of each [Scheduled Observation Date] [Valuation Date] [Calculation Date] in accordance with the following formula:* ***Bonus Number * [●] per cent.*** *"**Bonus Condition**" shall be deemed satisfied if the Calculation Agent determines that on each [Scheduled Observation Date] [Valuation Date] [Calculation Date] the Asset Early Performance is greater than [or equal to] the Barrier.* *"**Bonus Number**" shall be [the number of times that the Bonus Condition is satisfied during the Observation Period] [the number corresponding to the last [Scheduled Observation Date] [Valuation Date] [Calculation Date] during the Observation Period upon which the Barrier Condition is satisfied] [or, if the Barrier Condition is not satisfied, zero] [number to be specified].* *"**Calculation Date**" means [insert date(s)] [each Scheduled Trading Day in the Observation Period] [subject to adjustment].* *"**Cap**" means [●] per cent.* *"**Closing Level**" means the closing level or price of the relevant Asset.* *"**Downside Performance**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:* $\frac{\text{Asset Initial} - \text{Asset Final}}{\text{Asset Initial}}$ *"**Early Laggard**" shall mean in relation to the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Asset with the lowest calculated Early Performance, as determined by the Calculation Agent in respect of the relevant date. For the avoidance of doubt, if two or more [Basket] Assets have the same Early Performance as of the [Scheduled*

Observation Date] [Valuation Date] [Calculation Date], the Calculation Agent shall select any such [Basket] Asset as the Early Laggard acting in good faith and in a commercially reasonable manner.

*"**Early Outperformer**" shall mean in relation to the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Asset with the highest calculated Early Performance, as determined by the Calculation Agent in respect of the relevant date. For the avoidance of doubt, if two or more [Basket] Assets have the same Early Performance as of the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Calculation Agent shall select any such [Basket] Asset as the Early Outperformer acting in good faith and in a commercially reasonable manner.*

*"**Early Performance**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:*

$$\frac{\text{Asset Early}}{\text{Asset Initial}}$$

*"**Early Performance (Call Spread)**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:*

$$\frac{\text{Asset Early}}{\text{Asset Initial}} - 1$$

*"**Early Performance (Rolling Lookback)**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:*

$$\frac{\text{Asset Early}}{\text{Asset Lookback}} - 1$$

*"**Early Weighted Performance**" means an amount (expressed as a percentage) determined by the Calculation Agent being the sum of the values obtained by applying the following formula to each Basket Asset:*

$$W \times \frac{\text{Asset Early} - \text{Asset Initial}}{\text{Asset Initial}}$$

*"**Enhanced Weighted Performance**" means an amount (expressed as a percentage) determined by the Calculation Agent being the sum of the values obtained by applying the following formula to each Basket Asset:*

*W * Upside Performance*

*"**Final Laggard**" shall mean the Asset with the lowest [calculated Downside Performance] [calculated Final Performance] [calculated Upside Performance] [Observation Level] as determined by the Calculation Agent in respect of the relevant date. For the avoidance of doubt, if two or more Assets in the Basket have the same [Downside Performance as of the Final Valuation Date] [Final Performance as of the Final Valuation Date] [Upside Performance as of the Final Valuation Date] [Observation Level], the Calculation Agent shall select any such Asset as the Final Laggard acting in good faith and in a commercially reasonable manner.*

*"**Final Outperformer**" shall mean the Asset with the highest [calculated Downside Performance] [calculated Final Performance] [calculated Upside Performance] [Observation Level], as determined by the Calculation Agent in respect of the relevant date. For the avoidance of doubt, if two or more Assets in the Basket have the same [Downside Performance as of the Final Valuation Date] [Final Performance as of the Final Valuation Date] [Upside Performance as of the Final Valuation Date] [Observation Level], the Calculation Agent shall select any such Asset as the Final Outperformer acting in good faith and in a commercially reasonable manner.*

*"**Final Performance**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:*

$$\frac{\text{Asset Final}}{\text{Asset Initial}}$$

*"**Final Performance (Call Spread)**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:*

$$\frac{\text{Asset Early}}{\text{Asset Initial}} - 1$$

*"**Final Performance (Lookback)**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:*

$$\frac{\text{Asset Final}}{\text{Max [(Participation} \times \text{Asset Initial), Observation Level]}}$$

*"**Final Performance (Temporis)**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:*

$$\frac{\text{Asset Final} - \text{Asset Lookback}}{\text{Asset Initial}}$$

*"**Final Valuation Date**" means [insert].*

*"**Final Weighted Performance**" means an amount (expressed as a percentage) determined by the Calculation Agent being the sum of the values obtained by applying the following formula to each Basket Asset:*

$$W \times \frac{\text{Asset Final} - \text{Asset Initial}}{\text{Asset Initial}}$$

*"**Fixed Income Benchmark**" shall mean the relevant Rate of Interest specified in Element C20 below.*

*"**Floor**" means [●] per cent.*

*"**i**" shall mean the corresponding number related to a defined term as specified herein.*

*"**Initial Valuation Date**" means [insert].*

*"**Intraday Level**" means the intraday level or price of the relevant Asset.*

*"**Interest Payment Date(s)**" means [insert].*

*"**Knock-out Level**" [means [●] per cent.] [n * [●] per cent.] [Asset Initial * [●] per cent.] [Asset Initial * [●] per cent. * n] [shall mean the level ascribed to the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date], as specified in the table below: insert table].*

*"**Max**" followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a comma inside those brackets.*

*"**Min**" followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a comma inside those brackets.*

*"**n**" shall mean the corresponding number related to a defined term within the Conditions as specified herein.*

*"**Observation Days**" means the total number of [calendar days] [Business Days] [Scheduled Observation Dates] [Valuation Dates] [Calculation Dates] in the [Interest Period] [Observation Period].*

*"**Observation Period**" means [insert].*

*"**Observation Level**" means [the Opening Level] [the lowest Closing Level observed on each Scheduled Observation Date]*

	[the highest Closing Level observed on each Scheduled Observation Date] [the level of the Asset][the Rate of Interest] observed by the Calculation Agent on the relevant [Initial Valuation Date] [Scheduled Observation Date] at [insert time] [the level of the relevant Asset scheduled to be published by the Inflation Index Sponsor for the Reference Month of [●] where the relevant Asset Class is an Inflation Index] [the level of the relevant Asset scheduled to be published by the Property Index Sponsor for the reference month of [●] where the relevant Asset Class is a Property Index]. *"**Opening Level**" means the opening level or price of the relevant Asset.* *"**Outstanding Partial Redemption Nominal Percentage**" means [insert percentage]* *"**Paid Interest**" means, in respect of a N&C Security, the sum of all interest paid in respect of that N&C Security from (and including) the Issue Date to (and including) the immediately preceding Specified Interest Payment Date, if any.* *"**Participation**" means [●] per cent.* *"**Partial Redemption Autocall Amount**" means Outstanding Partial Redemption Nominal Percentage multiplied by Calculation Amount.* *"**Partial Redemption Nominal Percentage**" means [insert percentage].* *"**Range Condition**" shall be deemed satisfied in respect of any day if the Asset Level for such day observed by the Calculation Agent is greater than [or equal to] [●] [per cent.] per annum and less than [or equal to] [●] [per cent.] [per annum.]* *"**Range Days**" means the actual number of [calendar days] [Business Days] [Scheduled Observation Dates] [Valuation Dates] [Calculation Dates] in the [Interest Period] [Observation Period] on which the Range Condition is satisfied.* *"**Rate of Interest**" shall mean in connection with the relevant N&C Coupon Payout [Insert one of:]* *[[●] per cent.] [per annum];* *Screen Rate Determination;* *ISDA Determination;* *Bank of England Base Rate Determination;* *(n * [●] per cent.);* *[(n * [●] per cent.)] – Paid Interest;* *Max(Floor, Min(Cap, Participation * Asset Early [Performance] + [●] per cent.)) [+/- Barrier Return];* $\left([●] \text{ per cent} \times \frac{\text{Range Days}}{\text{Observation Days}}\right)$*; or* *[the applicable percentage rate specified in the table below: [insert table].]* *"**Scheduled Observation Date**" means [insert date(s)] [each Scheduled Trading Day in the Observation Period].* *"**Single Asset**" means a single Asset described in item C.20 below.* *"**Trade Date**" means [insert].* *"**Trigger Condition**" shall mean [Trigger Condition (European)] [Trigger Condition (American)].*

	*"**Trigger Condition (American)**" shall be deemed satisfied if the Calculation Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is [at] [all] [any] [time[s]] greater than [or equal to] the Trigger.* *"**Trigger Condition (European)**" shall be deemed satisfied if the Calculation Agent determines that on the Final Valuation Date the Asset Final Performance is greater than [or equal to] the Trigger.* *"**Trigger**" means:* (a) *where Trigger Condition (European) is applicable:* *[●] per cent.; or* (b) *where Trigger Condition (American) is applicable:* *Asset Initial * [●] per cent.* *"**Upside Performance**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:* $\frac{\text{Asset Final} - (\text{Barrier} * \text{Asset Initial})}{\text{Asset Initial}}$ *"**Valuation Date**" means [specify date(s)] [each Scheduled Trading Day in the Observation Period] [subject to adjustment].* *"**W**" means the weighting in respect of the relevant Basket Asset, as specified in the table below: insert table:* *"**Weighted Performance**" means an amount (expressed as a percentage) determined by the Calculation Agent being the sum of the values obtained by applying the following formula to each Basket Asset:* *W * Final Performance* *The above provisions are subject to adjustment as provided in the conditions of the Securities to take into account events in relation to the Asset(s) or the Securities. This may lead to adjustments being made to the Securities or in some cases the Securities being terminated early at an early redemption or cancellation amount.*
C.10	**Derivative component on interest** [Not Applicable – The N&C Securities do not have a derivative component in the interest payment.] [The following table sets out illustrative values of the interest amount payable per N&C Security on the relevant Interest Payment Date: [***Issue specific summary:*** [*insert table*]] *Worse Case Scenario: In a worst case scenario the amount payable per* N&C Security *at the Maturity Date will be [●] if [●]*]
C.11	**Listing and Admission to trading** **[Issue specific summary:** *[Application for Securities has been made [for listing on the Official List of the [United Kingdom Listing Authority] [Irish*

	Stock Exchange] [specify other Stock Exchange] and] for admission to trading on the [Regulated Market of the [London] [Irish] Stock Exchange] [specify other Stock Exchange].] *[The Securities will not be listed on a regulated market but application is expected to be made by the Issuer (or on its behalf) for the Securities to be included to trading on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange (Börse Frankfurt Zertifikate AG)]]*
C.15	**Description of how the value of the Securities is affected by the value of the underlying Asset** The following table sets out illustrative values of the amounts payable per Security on the Maturity Date or Settlement Date, as applicable: [***Issue specific summary [This Element C.15 only to be included where the Securities are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]:*** [*insert table*] *These Securities are derivative securities and their value may go down as well as up.*] *Worse Case Scenario: In a worst case scenario the amount payable per Calculation Amount at the [Maturity] [Settlement] Date will be [●] if [●]*
C.16	**Expiration Date or Maturity Date of the Securities** [***Issue specific summary [This Element C.16 only to be included where the Securities are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]:*** [*For N&C Securities, insert*: The Maturity Date of the Securities is [●], subject to adjustment] [*For Warrants, insert*: the exercise date[s] is [●] [or, if earlier the date on which the [Barrier Condition] [Trigger Condition] is satisfied], subject to adjustment. The Settlement Date will fall on or about [●] business days following the relevant exercise date]
C.17	**Settlement procedures of the Securities** The Securities will be settled on the applicable Settlement Date or Maturity Date at the relevant amount per Security, in the case of Warrants following due exercise. [***For the purposes of the Issue specific summary: This Element C.17 only to be included where the Securities are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)***]
C.18	**Description of how the return on derivative securities takes place** ***[Issue specific summary [This Element C.18 only to be included where the Securities are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]:*** *For variable interest Securities, the return is illustrated in item C.10 above.* *For variable redemption Securities or Warrants the return is illustrated in item C.15 above.* *These Securities are derivative securities and their value may go down as well as up.*]
C.19	**The exercise price or the final reference price of the underlying** ***[Issue specific summary [This Element C.19 only to be included where the Securities are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]****:* *The [exercise] [final reference] price shall be determined on [insert date]].*
C.20	**A description of the type of the underlying and where the information of the underlying can be found** Shares, depositary receipts, equity index(ices), exchange traded funds, inflation index(ices), property index(ices) and fixed income benchmark(s).

	*[**Issue specific summary [This Element C.20 only to be included where the Securities are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)**]:* *[list all Assets in each case followed by: See [Bloomberg] [Reuters] Screen [●] page] [●]]*

SECTION D – RISKS

Element	
D.2	**Key risks regarding the issuer and the guarantor** In purchasing Securities, investors assume the risk that the Issuer and the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Securities. There are a wide range of factors which individually or together could result in the Issuer and the Guarantor becoming unable to make all payments due in respect of the Securities. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. However, the Issuer and the Guarantor have identified in the Base Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due under the Securities and the Guarantee, and they consider that the risks identified in the Base Prospectus include all the principal risks of an investment in the Securities. These include: ● the Group's operating results, financial condition and prospects may be materially impacted by economic conditions in the UK as well as regulatory capital and liquidity requirements imposed on the Issuer and the Guarantor; ● the Group's operating results, financial condition and prospects may be negatively affected by conditions in global financial markets; ● the Group is currently operating in challenging market conditions, characterised by relatively short periods of volatility and extended periods of subdued market activity. Domestic or international market factors that reduce activity levels could significantly reduce the Group's revenues; ● any reduction in the credit rating assigned to the Group, any member of the Group or to any Group debt securities would be likely to increase the Group's cost of funding, require additional collateral to be placed and adversely affect its interest margins and liquidity position; ● the Group operates in a highly regulated environment that imposes costs and significant compliance requirements. Changes in regulations may increase the cost and complexity of doing business, or may disadvantage the Group relative to its competitors. The failure to comply with regulations could subject the Group to sanctions, force it to cease providing certain services, or oblige it to change the scope or nature of its operations; ● customers and counterparties that owe the Group money, securities or other assets may default on their obligations to the Group due to bankruptcy, lack of liquidity, operational failure or other reasons; and ● the Group's future success depends to a significant degree upon the continued contributions of its key personnel, its ability to recruit, train, retain and motivate personnel, and to ensure that employment contract terms are appropriate.
D.3	**Key risks regarding the Securities** ● There are also risks associated with specified types of Securities and with the Securities and the markets generally, including that, unlike a bank deposit, the Securities are not protected by the Financial Services Compensation Scheme ("**FSCS**") or other government protection scheme. As a result, neither the FSCS not any other government will pay compensation to an investor in the Securities upon the failure of the Issuer and/or the

	Guarantor. If the Issuer and/or the Guarantor go out of business or become insolvent, holders of the Securities may lose all or part of their investment in the Securities; ● investors in Securities may lose up to the entire value of their investment in the Securities as a result of the occurrence of any of (a) the insolvency of either the Issuer and/or the Guarantor, (b) investors seeking to sell the Securities prior to their scheduled termination, (c) the relevant Securities being subject to certain adjustments in accordance with the terms and conditions of the Securities, and (d) amounts payable being subject to deductions for taxes and/or expenses; ● the Securities represent direct, unconditional, unsecured and unsubordinated obligations of both the Issuer and the Guarantor and rank equally without any preference among themselves with all other present and future direct, unconditional, unsecured and unsubordinated obligations of the Issuer and Guarantor; ● the market value and the amount payable on termination of the Securities may be adversely affected by a number of factors, and the price at which a holder of Securities may be able to sell Securities prior to termination may be at a substantial discount to the market value of such Securities on the Issue Date. A holder of such Securities may suffer a loss of some or up to all of the entire amount invested on termination; ● the Securities will have no established trading market when issued, and one may never develop, or the Securities may be illiquid. In such case, investors may not be able to sell their Securities easily or at favourable prices; ● the Securities will be settled by the Issuer through one or more clearing systems and agents. In addition investors may hold Securities through one or more intermediaries. As a result it may be necessary to enforce rights under the Securities through such indirect holding structure and delays and settlement risk may exist as a result. Additionally, the risks relating to investment in the Securities depend on their features and may include, inter alia, risks relating to (but not limited to) operational/business risk, credit risk, liquidity risk, interest rate risk, regulatory risk, reputational risk, competition risk, unsecured obligations, market risk, hedging and potential conflicts of interest, tax liabilities, expenses and taxation, third party risk, structural risks relating to particular Securities, including with respect to certain underlyings, no claim against the reference item(s) to which the Securities relate, exchange rate risks, settlement disruption, illegality and cancellation, time lag after redemption or exercise, settlement risk, possible illiquidity of Securities, equity risk, currency risk, underlying volatility risk, fund risk, failure to deliver due to illiquidity, inflation risk, modification, meetings, market disruption, optional redemption (in the case of N&C Securities), a requirement to hold a minimum amount of Securities, factors affecting the value and trading price of Warrants, minimum exercise amount (in the case of Warrants), limitations on exercise (in the case of Warrants), transfer restrictions and exchange listing and legal regulation risk.
D.6	**Risk Warning [*Issue Specific Summary: This Element D.6 only to be included where the Securities are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)*]** **See D3 above. In addition:** ● investors in Securities may lose up to the entire value of their investment in the Securities as a result of the terms of the relevant Securities where invested amounts are subject to the performance of variable benchmarks such as equities, indices, fixed income benchmarks and exchange traded funds; ● the Issue Price of the Securities may be more than the market value of such Securities as at the Issue Date, and the price of the Securities in secondary market transactions; ● if the relevant Securities include leverage, potential holders of such Securities should note that these Securities will involve a higher level of risk, and that whenever there are losses such losses may be higher than those of a similar security which is not leveraged. Investors should therefore only invest in leveraged Securities if they fully understand the effects of leverage; and ● warrants may expire worthless. In addition, where "Automatic Exercise" is not specified in the applicable Final

	Terms, if Warrants are not exercised by the investor on the applicable exercise date, an investor's investment in the Warrants will expire worthless.

SECTION E – OFFER

Element	
E.2b	**Use of proceeds** The net proceeds from each issue of Securities will be applied by the Issuer for its general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms. [***Issue specific summary*** The net proceeds from the issue of Securities will be applied by the Issuer [for its general corporate purposes] [and] [*specify other*]].
E.3	**Terms and conditions of the offer:** If so specified in the applicable Final Terms, the Securities may be offered to the public in a Non-exempt Offer in one or more specified Public Offer Jurisdictions. The terms and conditions of each offer of Securities will be determined by agreement between the Issuer and the relevant Dealers at the time of issue and specified in the applicable Final Terms. Offers of the Securities are conditional on their issue. An Investor intending to acquire or acquiring any Securities in a Non-exempt Offer from an Authorised Offeror will do so, and offers and sales of such Securities to an Investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocations and settlement arrangements. ***Issue specific summary:*** [Not Applicable - the Securities are not being offered to the public as part of a Non-Exempt Offer] [This issue of Securities is being offered in a Non-exempt Offer in [Ireland/the United Kingdom/Germany/Austria/*specify other*].] The issue price of the Securities is [●] per cent. of their nominal amount. [*Summarise the terms of any Non-exempt Offer as set out in paragraph 9.5 and section 10 (for N&C Securities)/paragraph 7.4 and section 8 (for Warrants) of Part B of the Final Terms*]
E.4	**Description of any interest of natural and legal persons involved in the issue/offer that is material to the issue/offer including conflicting interests** The relevant Dealers may be paid fees in relation to any issue of Securities 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 the Guarantor and their affiliates in the ordinary course of business. ***Issue specific summary*** [Other than as mentioned above,[and save for [any fees payable to the Dealer [and any other Authorised Offeror]][●],] so far as the Issuer is aware, no person involved in the [issue]/[offer] of the Securities has an interest material to the offer, including conflicting interests.][*specify other*]

E.7	**Expenses charged to the investor by the Issuer** Not applicable - No expenses will be charged to an investor by the Issuer.

RISK FACTORS

An investment in the Securities may involve a high degree of risk. In purchasing Securities, investors assume the risk that the Issuer and the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Securities. There are a wide range of factors which individually or together could result in the Issuer and the Guarantor becoming unable to make all payments due in respect of the Securities. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. The Issuer and the Guarantor have identified in this Base Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due under the Securities.

In addition, factors which are material for the purpose of assessing the market risk associated with Securities issued under the Programme are detailed below. The factors discussed below regarding the risks of acquiring or holding any Securities are not exhaustive, and additional risks and uncertainties that are not presently known to the Issuer or Guarantor or that the Issuer or Guarantor currently believes to be immaterial could also have a material impact on the Securities.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in the "General Terms and Conditions of the N&C Securities" and the "General Terms and Conditions of the Warrants" below or elsewhere in this Base Prospectus have the same meanings in this section.

Contents of the Risk Factors

1. **Key risks with respect to an investment in the Securities**

2. **General risks relating to an investment in the Securities**

3. **Risks associated with the N&C Securities**

4. **Risks associated with the Warrants**

5. **Risks associated with Securities that are linked to one or more Reference Item(s)**

6. **Risk factors relating to the Issuer, the Guarantor and the Group**

1. Key risks with respect to an investment in the Securities

1.1 ***Investors in Securities may lose up to the entire value of their investment in the Securities as a result of the occurrence of any one or more of the following events:***

(a) the terms of the relevant Securities do not provide for full repayment of the initial purchase price upon final settlement and/or early termination of such Securities and the Reference Item(s) (as described in risk factors below) perform in such a manner that the final settlement amount and/or early termination amount is less than the initial purchase price. The pay-out formula of Securities may provide for the return of the initial purchase price at final termination. These Securities are sometimes referred to as being "capital protected" on final termination. Investors in Securities that are not "capital protected" may risk losing their entire investment if the value of the Reference Item(s) does not move in the anticipated direction. Investors in Securities that are "capital protected" may still be subject to loss of some or all of their investment in the circumstances described in (b), (c), and (d) below and may not receive any value for the time during which they hold the Securities;

(b) the Issuer and Guarantor of the relevant Securities are subject to insolvency proceedings or some other event impairing their ability to meet their obligations under the Securities;

(c) the investor seeks to sell the relevant Securities prior to their scheduled termination, and the sale price of the Securities in the secondary market is less than the purchaser's initial investment;

(d) the relevant Securities are subject to certain adjustments in accordance with the terms and conditions of such Securities that may result in the scheduled amount to be paid or asset(s) to be delivered upon termination being reduced to or being valued at an amount less than a purchaser's initial investment; and

(e) amounts payable may be subject to deductions for taxes and/or expenses.

1.2 ***The Securities are unsecured obligations of the Issuer and the Guarantor***

All Securities will represent direct, unconditional and unsecured obligations of the Issuer. All Securities will rank *pari passu* and without any preference among themselves and subject to any applicable statutory provisions or judicial order, at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.

The obligations of the Issuer are fully and unconditionally guaranteed by the Guarantor. It should however be noted that this Guarantee extends only to amounts which have become due and payable or obligations which are due to be performed in accordance with the General Terms and Conditions of the N&C Securities and the General Terms and Conditions of the Warrants, as the case may be. There is no assurance that any amount will become due and payable or any other relevant obligation will arise under the terms of the relevant Security (for example, in certain circumstances, interest and/or principal will cease to be payable, or the amount payable will be reduced, under the terms of the relevant Security). The obligations of the Guarantor under the Guarantee are unsubordinated and unsecured obligations of Santander UK plc and will rank *pari passu* and without any preference among themselves and subject to any applicable statutory provisions or judicial order, at least equally with all its other present and future unsubordinated and unsecured obligations of the Guarantor.

Investors should note in particular that even in respect of N&C Securities which are expressed to be "principal protected" or "capital protected" on termination and/or include a minimum redemption amount, return of an investor's initial capital investment remains dependent on the Issuer and/or the Guarantor's ability to meet their obligations in full. Where the Issuer and/or the Guarantor are unable to do so, an investor will lose some and possibly all of the amount invested. In addition any amount payable on early redemption or secondary market sale of N&C Securities may be significantly less than the amount that would otherwise be payable at maturity.

Investing in the Warrants entails significant risk and under certain circumstances, as described herein, an investor in the Warrants may lose all or any part of their investment.

1.3 ***No government or other protection***

The Securities issued by Abbey National Treasury Services plc and the guarantee provided by Santander UK plc are not savings accounts or deposits of either the Issuer or Guarantor or any member of the Santander Group. The Securities are not protected by the UK Financial Services Compensation Scheme or any other government or private protection scheme.

2. General risks relating to an investment in the Securities

2.1 The Securities may not be suitable for all investors

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including Securities with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly (if necessary, in consultation with the investor's own legal, tax, accountancy, regulatory, investment or other professional advisers) the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser and/or other professional advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

2.2 ***The Issue Price of the Securities may be more than the market value of such Securities as at the Issue Date, and the price of the Securities in secondary market transactions***

The Issue Price in respect of any Securities specified in the relevant Issue Terms may be more than the market value of such Securities as at the relevant Issue Date, and the price, if any, at which the relevant Dealer(s) or any other person willing to purchase such Securities in secondary market transactions may be lower than the Issue Price in respect of such Securities. In particular, the Issue Price in respect of any Securities may take into account several types of proceeds, benefits or costs to the Issuer, which may include amounts with respect to inducements, commissions and/or other fees relating to the issue and sale or distribution of such Securities as well as up-front payments or other amounts relating to the hedging of the Issuer's obligations under such Securities. Secondary market prices are likely to exclude such amounts. In addition, pricing models of relevant market participants may differ or produce a different result. This can cause a difference between the theoretical value of the Securities and any bid and offer prices quoted by the Issuer, the Guarantor, any Affiliate or any third party. Such differences may be greater when the Securities are initially traded on any secondary markets and may gradually decline in value during the term of the Securities.

2.3 ***The market value and the amount payable and/or deliverable on termination of the Securities may be adversely affected by a number of factors, and the price at which a holder of Securities may be able to sell Securities prior to termination may be at a substantial discount to the market value of such Securities on the Issue Date. A holder of such Securities may suffer a loss of some or all of the entire amount invested on termination***

(a) *A Security's purchase/offer price may not reflect its inherent value*

Prospective investors in the Securities should be aware that the purchase/offer price of a Security does not necessarily reflect its inherent value. Any difference between a Security's purchase/offer price and its inherent value may be due to a number of different factors including, without limitation, prevailing market conditions and fees, discounts or commissions paid or accorded to the various parties involved in structuring and/or distributing the Securities, where permitted by applicable law. For further information prospective investors should refer to the party from whom they are purchasing the Securities. Prospective investors may also wish to seek an independent valuation of Securities prior to their purchase.

(b) *Effect of credit ratings of the Issuer and/or the Guarantor*

The value of the Securities is expected to be affected, in part, by investors' general appraisal of the Issuer's and the Guarantor's creditworthiness. Such perceptions are generally influenced by the ratings accorded to the Issuer's and/or Guarantor's outstanding securities by standard statistical rating services, such as Moody's Investors Service Ltd, Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and Fitch Ratings Ltd. A reduction in the rating, if any, accorded to outstanding debt securities of the Issuer and/or the Guarantor by one of these rating agencies could result in a reduction in the trading value of the Securities.

(c) *Effect of the performance of the underlying Reference Item(s)*

Securities which are linked to the performance of any Reference Item(s) will represent an investment linked to the economic performance of the Reference Item(s) and investors should note that any return on their investment in such Securities will depend upon the performance of such Reference Item(s). Investors should not invest in any Securities if they do not fully understand how the performance of the Reference Item(s) may affect the pay-out and value of the Securities, including (i) the potential to lose all their investment, (ii) any limit on potential profits and (iii) the effects of any provision which increases exposure to the movement in price or level of the Reference Item(s) (sometimes referred to as "leverage").

If the amounts payable and/or deliverable in respect of Securities are linked to the performance of the Reference Item(s), an investor in such a Security must generally make correct predictions as to the direction, timing and magnitude of an anticipated change in the value of the Reference Item(s) or other basis which may be specified in the relevant Issue Terms. However, it is impossible to make such predictions with any degree of certainty, and investors in Securities must be aware that the historical performance of the Reference Item(s) should not be taken as an indication of future performance of such Reference Item(s) during the term of such Security.

In contrast to a direct investment in the Reference Item(s), Securities represent the right to receive payment and/or delivery of amounts which will be determined by reference to the performance of the Reference Item(s). Potential purchasers should also note that whilst the market value of such Securities linked to such Reference Item(s) will be influenced (positively or negatively) by such Reference Item(s), any change may not be comparable or directly proportionate to the change in value of such Reference Item(s).

(d) *The market value of the Securities at any time is dependent on other matters in addition to the credit risk of the Issuer and Guarantor (if any) and the performance of the Reference Item(s)*

The market value of the Securities at any time will be affected by a number of factors independent of the creditworthiness of the Issuer and Guarantor (if any) and the performance of the Reference Item(s), including:

(i) market interest and yield rates;

(ii) fluctuations in currency exchange rates;

(iii) liquidity of the Securities and/or of any Reference Item(s) in the secondary market;

(iv) the time remaining to any redemption date, maturity date, exercise date or expiration date, as the case may be;

(v) where the Reference Item(s) is/are equity securities, the dividend rate on the Reference Item(s) and the financial results and prospects of the issuer of each Reference Item;

(vi) numerous other events (e.g. economic, financial, regulatory, political, terrorist or military events) in one or more jurisdictions, including factors affecting capital markets generally or the stock exchanges on which any of the Securities or Reference Item(s) may be traded.

The amount(s) which are or may be payable and/or deliverable in respect of Securities are typically expected to be but do not have to be greater than the trading price of such Securities at any time prior to termination. The difference between the trading price and such amount(s) will reflect, among other things, a "time value" for the Securities. The "time value" of the Securities will depend partly upon the length of the period remaining to termination and expectations concerning the value of the Reference Item(s).

Before exercising or selling Securities, holders should carefully consider, among other things, (i) the trading price of the Securities, (ii) the value and volatility of the Reference Item(s), (iii) the time remaining to termination, (iv) the possible range of amounts payable and/or deliverable on the Securities, (v) any changes in interim interest rates and dividend yields (if any), (vi) any changes in currency exchange rates, (vii) the depth of the market or liquidity of the Reference Item(s) and (viii) any related transaction costs.

(e) *Current market climate*

Investors should be aware of the prevailing and widely reported global credit market, whereby there is a general lack of liquidity in the secondary market for many types of instruments, which may include instruments similar to the Securities. Such lack of liquidity may result in investors suffering losses on the Securities in secondary market sales even if there is no decline in the performance of the Reference Item(s) or the creditworthiness of the Issuer and/or the Group. The Issuer cannot predict when these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Securities at that time.

Certain countries in Europe currently have large sovereign debts and/or fiscal deficits and this has led to uncertainties in the markets as to whether or not the governments of those countries will be able pay in full and on time the amounts due in respect of those debts. These concerns have led to significant and rapid changes in secondary market prices for sovereign debt of the affected countries (especially Greece, Spain, Portugal, Ireland and Italy) and also to significant and rapid changes in exchange rates, especially with respect to the Euro. Further, the continued concern about the fiscal positions of the governments of the affected countries has also raised concerns regarding the exposures of banks to such countries, especially banks domiciled within Europe. These concerns may lead to such banks being unable to obtain funding in the interbank market, which may cause such banks difficulty in funding their operations and potentially insolvency. If the current concerns over sovereign and bank solvency continue, there is a danger that interbank funding may become generally unavailable or available to most banks only at higher interest rates. If this were to happen, investors may suffer market value and/or credit losses in respect of the Securities.

(f) *The market value of Securities may be highly volatile*

Where the Securities reference one or more Reference Items, the holders of such Securities are exposed to the performance of such Reference Items. The price, performance or investment return of the Reference Items may be subject to sudden and large unpredictable changes over time and this degree of change is known as "volatility". The volatility of a Reference Item may be affected by national and international financial, political, military or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these events or activities could adversely affect the value of the Securities.

(g) *The market value of Securities and the amount payable or deliverable on the Securities may be affected due to the application of leverage or reduced exposure in the structure*

Where a formula used to determine the amount(s) payable and/or deliverable with respect to the Securities contains a multiplier participation rate or leverage factor (whether implicit or explicit) greater than one or 100.00 per cent., then the percentage change in the value of the Security may be greater than any positive and/or negative performance of the Reference Item(s). Securities which include such multiplier or leverage factor represent a very speculative and risky form of investment, since any loss in the value of the Reference Item(s) may carry the risk of a correspondingly higher loss on the Securities.

Where a formula used to determine the amount(s) payable and/or deliverable with respect to the Securities contains an explicit or implicit multiplier participation rate or factor of less than one or 100.00 per cent., then the percentage change in the value of the Security may be less than any positive and/or negative performance of the Reference Item(s). Securities which include such multiplier or leverage factor may not benefit from the full extent of any gain in the value of the Reference Item(s), since any gain in the value of the Reference Item(s) may carry the risk of a correspondingly lower gain on the Securities.

(h) *Distributor(s)/Introducing Broker Fees*

Investors should note that, in certain circumstances immediately following the issue of the Securities, the secondary market price of the Securities may be less than the Issue Price and/or the offer price for a number of reasons which may include the fact that the Issue Price and/or the offer price included fees or commissions, including fees to be paid to distributor(s) and/or introducing brokers, where permitted by applicable law. See also (a) above.

2.4 ***There may not always be a secondary market for the Securities***

(a) *The Issuer and the Guarantor cannot assure a trading market for the Securities will ever develop or be maintained*

The Issuer may issue Securities in different series with different terms in amounts that are to be determined. Such Securities may be unlisted or listed on a recognised stock exchange and there can be no assurance regarding the ability of Securityholders to sell their Securities or the price at which such holders may be able to sell their Securities. Investors should however, be aware of the prevailing and widely reported global credit market conditions, whereby a general lack of liquidity in the secondary market for many types of instruments, which may include instruments similar to the Securities may result in investors suffering losses on Securities in secondary resales even if there is no decline in the performance of the Reference Item(s) or of the Issuer or the Guarantor. The Issuer and the Guarantor cannot predict when these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Securities at that time. If a trading market were to develop, the Securities could trade at prices that may be higher or lower than the relevant initial issue price and this may result in a return that is greater or less than any interest or other additional amounts payable in respect of the Securities, depending on many factors, including:

- the Group's financial results;
- any change in the Issuer's or the Guarantor's creditworthiness;
- the market for similar securities or instruments;
- the complexity and volatility of the Reference Items applicable to any Securities issued under the Programme;
- the method of calculating the principal, premium (of any), interest (if any) and other amounts payable or deliverable in respect of the Securities;
- the time remaining to the maturity of the N&C Securities or to exercise the Warrants;
- the outstanding amount of the Securities;

- the redemption or exercise features of the Securities; and
- the level, direction and volatility of market interest rates generally.

In addition, certain Securities have a more limited trading market and experience more price volatility because they were designed for specific investment objectives or strategies. There may be a limited number of buyers when an investor decides to sell such Securities. This may affect the price an investor receives for such Securities, or the ability of an investor to sell such Securities at all.

Application may be made to list an issue of Securities on a stock exchange, as indicated in the applicable Issue Terms. The fact that the Securities may be listed does not necessarily lead to greater liquidity. No assurance can be given that there will be a market for any Securities. If Securities are not traded on any stock exchange, pricing information for such Securities may be more difficult to obtain, and the liquidity and market prices of such Securities may be adversely affected. The liquidity of the Securities may also be affected by restrictions on offers and sales of Securities in some jurisdictions. Securities may be more difficult to obtain and the liquidity of the Securities may be adversely affected. Also, to the extent Securities of a particular issue are cancelled, exercised or redeemed, as the case may be, the number of Securities of such issue outstanding will decrease, resulting in a diminished liquidity for the remaining Securities of such issue. A decrease in the liquidity of an issue of Securities may cause, in turn, an increase in the volatility associated with the price of such issue of Securities.

The Issuer is not required to maintain the listing on such stock exchange or any other exchange. The price at which the Securities trade on the relevant stock exchange (or any other exchange on which they are traded or quoted) may not reflect the applicable Redemption Amount or Exercise Amount (as the case may be).

Each of the Issuer and any Dealer and any financial intermediary may, but is not obliged to, at any time purchase Securities at any price in the open market or by tender or private treaty. Any Securities so purchased may be held or resold or surrendered for cancellation. A Dealer or any financial intermediary may, but is not obliged to, be a market-maker for an issue of Securities. Even if a Dealer or any financial intermediary is a market-maker for an issue of Securities, the secondary market for such Securities may be limited. To the extent that an issue of Securities becomes illiquid, an investor may have to await termination of such Securities to realise their value.

There may be less liquidity in the secondary market for the Securities also if they are exclusively offered to retail investors without any offer to institutional investors.

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

Securities 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 Securities 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 Securities 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 Securities generally would have a more limited secondary market and more price volatility than conventional securities.

Each of the Issuer and any Dealer may, but is not obliged to, at any time purchase Securities at any price in the open market or by tender or private treaty. Any Securities so purchased may be held or resold or surrendered for cancellation. A Dealer may, but is not obliged to, be a market maker for an issue of Securities. Even if a Dealer is a market-maker for an issue of Securities, the secondary market for such Securities may be limited. In addition, affiliates of the Issuer (including, if applicable, any Dealer) may purchase Securities at the time of their initial distribution and from time to time thereafter.

(c) *The Securities are subject to selling and transfer restrictions that may be affected by the existence and liquidity of any secondary market in the Securities*

The Securities have not been, and will not be, registered under the Securities Act or any other securities laws. Accordingly, the Securities are subject to certain restrictions on the resale and other transfer thereof as set forth under "*Subscription and Sale*". As a result of such restrictions, the Issuer and the Guarantor cannot be certain of the existence of a secondary market for the Securities or the liquidity of such market if one develops. Consequently, a Securityholder must be able to bear the economic risk of an investment in such Securities for an indefinite period of time.

2.5 ***There may be price discrepancies with respect to the Securities as between various dealers or other purchasers in the secondary market***

If at any time a third party dealer quotes a price to purchase Securities or otherwise values Securities, that price may be significantly different (higher or lower) from any price quoted by any member of the Santander Group. Furthermore, if any Securityholder sells their Securities, the Securityholder will likely be charged a commission for secondary market transactions, or the price may reflect a dealer discount.

2.6 ***The Securities may be terminated prior to their scheduled final termination***

In certain circumstances, the Early Redemption Amount (in the case of N&C Securities) or the Early Cancellation Amount (in the case of Warrants) payable on the termination of a Security prior to its scheduled maturity or expiration date (as the case may be) may be less than its original purchase price and could be as low as zero.

Following early termination of Securities, the holders of such Securities may not be able to reinvest the redemption or cancellation proceeds (if any) at an effective interest rate as high as any interest rate or yield (if any) on the Securities and may only be able to do so at a significantly lower rate. Investors in Securities should consider such reinvestment risk in light of other investments available at that time.

Securities may be terminated early for a number of reasons, including any of the following reasons:

(i) the occurrence of a mandatory early termination event (e.g., the price or level of the Reference Item rises above or falls below a pre-determined barrier level), if specified in the terms and conditions of the Securities;

(ii) the exercise by the Issuer of a call option, if specified to be applicable in the relevant Issue Terms;

(iii) the exercise by the Securityholder of a put option, if specified to be applicable in the relevant Issue Terms;

(iv) the occurrence of certain events or other circumstances in relation to a Reference Item at the discretion of the Calculation Agent;

(v) the Issuer determines that its performance under any Security has become unlawful in whole or in part for any reason (see N&C Security Condition 7.4 (*Redemption for illegality*) in respect of the N&C Securities and Warrant Condition 6.1 (*Cancellation for Illegality*) in respect of the Warrants);

(vi) the Calculation Agent determines that a change in applicable law or regulation has occurred and solely by reason of the Securities being outstanding, will result in the Issuer being required to be regulated by any additional jurisdiction or regulatory authority or being subject to any additional legal requirement or regulation considered by the Issuer to be materially onerous (see N&C Security Condition 7.5 (*Regulatory Redemption Event*) in respect of the N&C Securities and Warrant Condition 6.2 (*Regulatory Cancellation Event*) in respect of the Warrants);

(vii) in certain circumstances where the Issuer determines that it will be obliged to account for any present or future taxes, duties, assessments or governmental charges (see N&C Security Condition 7.6 (*Redemption for tax reasons*) in respect of the N&C Securities and Warrant Condition 6.5 (*Early cancellation for tax reasons*) in respect of the Warrants); or

(viii) following an Event of Default (see N&C Security Condition 10 (*Events of Default*) in respect of the N&C Securities and Warrant Condition 7 (*Events of Default*) of the Warrants).

With regard to the exercise by the Issuer of a call option, see risk factor 3.2 below.

With regard to early termination due to any of illegality, a regulatory cancellation event or tax, the Early Redemption Amount or Early Cancellation Amount (as the case may be) in respect of each Security shall (if, in the case of N&C Securities, "Market Value" is specified in the applicable Issue Terms and unless otherwise specified in the relevant Issue Terms) be an amount determined by the Calculation Agent as representing the fair market value of such Securities immediately prior to such early termination, adjusted to account fully for any reasonable expenses and costs of unwinding any underlying and/or related hedging and funding arrangements (including, without limitation any equity options, equity swaps or other Securities of any type whatsoever hedging the Issuer's obligations under the Securities). An investor in Securities should be aware that this Early Redemption Amount or Early Cancellation Amount (as the case may be) may be less than the investor's initial investment, and in such case see risk factor 1.1 (*Investors in Securities may lose up to the entire value of their investment in the Securities as a result of the occurrence of any one or more of the following events*).

2.7 ***Rating Agency Credit Ratings***

(a) *Use of credit ratings assigned to the Issuer*

The long-term and short-term issuer credit ratings of the Issuer are provided in this Base Prospectus for information purposes only. Investors should note that a credit rating assigned to the Issuer may not reflect the potential impact of all of the risks related to the structure, market and type of return of the Securities but may affect the value of the Securities. Any rating agency may lower its ratings or withdraw its rating if, in the sole judgement of the rating agency, the credit quality of the Issuer has declined or is in question. In addition, at any time any rating agency may revise its relevant rating methodology with the result that, amongst other things, any rating assigned to the Issuer may be lowered. If any rating assigned to the Issuer is lowered or withdrawn, the secondary market value of any Securities may reduce. A rating is not a recommendation to buy, sell or hold any Securities and may be subject to suspension or withdrawal (or, as noted above, revision) at any time. Each rating agency may have different criteria for evaluating risk, and therefore each rating should be evaluated independently of any other rating.

(b) *Relationship of the Issuer's and Guarantor's Ratings*

The credit rating of the Issuer is closely aligned with the credit rating of the Guarantor due to the nature of the relationship between the entities. Any change in the rating of the Guarantor may, therefore, result in a corresponding change to the rating of the Issuer.

(c) *Use of credit ratings assigned to a particular series of Securities - European regulated investors and the CRA Regulation*

One or more independent credit rating agencies may also assign credit ratings to a particular Series of Securities. In general, European regulated investors are restricted under 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 transitional provisions that apply in certain circumstances whilst the registration application is pending. 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). Certain information with respect to the credit rating agencies and ratings is set out in the Summary section of this Base Prospectus and may be disclosed in the Issue Terms.

The list of registered and certified rating agencies published by the European Securities 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 the credit rating agencies and ratings is set out in this Base Prospectus. Moody's, Fitch and S&P are each established in the European Union and are each

registered under the CRA Regulation. As such Moody's, Fitch and S&P are included in the list of the credit rating agencies published by the ESMA on its website in accordance with the CRA Regulation.

(d) *Credit ratings assigned to the Issuer, the Guarantor or any Securities may not reflect all the risks associated with an investment in those Securities*

Any credit rating assigned to the Issuer, the Guarantor or a Series of Securities may not reflect the potential impact of all risks related to structure, market or additional factors discussed above, and other factors that may affect the value of those Securities. The credit rating agencies may have different rating methodologies, criteria, models and requirements from one another. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, reduced, suspended, qualified or withdrawn by the rating agency at any time.

2.8 ***Market disruption and settlement disruption***

(a) *Market Disruption Event and Disrupted Day*

If an issue of Securities includes provisions dealing with the occurrence of a market disruption event or a failure to open of an exchange or related exchange on a Valuation Date or an Averaging Date and the Calculation Agent determines that a market disruption event or such failure has occurred or exists on a Valuation Date or an Averaging Date, any consequential postponement of the Valuation Date or Averaging Date or any alternative provisions for valuation provided in any Securities may have an adverse effect on the value of such Securities.

(b) *Settlement Disruption Event and Failure to Deliver due to Illiquidity*

In the case of physically settled Securities, if a Settlement Disruption Event occurs or exists on the Delivery Date, settlement will be postponed until the next date on which no Settlement Disruption Event occurs. The Issuer in these circumstances also has the right to pay the Disruption Cash Redemption Amount in lieu of delivering the Asset Amount or Entitlement. Such a determination may have an adverse effect on the value of the relevant Securities.

2.9 ***Potential conflicts of interest***

(a) *Role of Abbey National Treasury Services plc*

Abbey National Treasury Services plc ("**ANTS**") may be acting in a number of capacities (e.g. Calculation Agent, Issuer and Dealer) in connection with the transactions described in this Base Prospectus. ANTS, acting in such capacities in connection with such transactions, shall have only the duties and responsibilities expressly agreed to by it in its relevant capacity and shall not, by virtue of its acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to hold a standard of care other than as expressly provided with respect to each such capacity. ANTS, in its various capacities in connection with the contemplated transactions, may enter into business dealings, including the acquisition of investment securities as contemplated by its constitutional and other corporate documents, from which it may derive revenues and profits in addition to the fees, if any, stated in its constitutional and other corporate documents, without any duty to account therefor.

In the ordinary course of its business, including without limitation in connection with its market making activities, the Issuer and/or any of its affiliates may effect transactions for its own account or for the account of its customers and hold long or short positions in any Reference Item(s) or related derivatives. In addition, in connection with the offering of any Securities, the Issuer and/or any its affiliates may enter into one or more hedging transactions with respect to any Reference Item(s) or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer and/or any its affiliates, the Issuer and/or any its affiliates may enter into transactions in any Reference Item(s) or related derivatives which may affect the market price, liquidity or value of the relevant Securities and which could be deemed to be adverse to the interests of the relevant Securityholders.

There is no limitation or restriction on ANTS, or any of its respective Affiliates, with regard to acting as adviser (or in a similar role) to other parties or persons. This and other future activities of ANTS and/or its Affiliates may give rise to additional potential conflicts of interest.

ANTS in its capacity as Issuer and any Dealer may at the date hereof or at any time hereafter, be in possession of information in relation to a Reference Item that is or may be material in the context of the Securities and may or may not be publicly available to Securityholders. There is no obligation on the Issuer or any Dealer to disclose to Securityholders any such information.

Where the Securities, or arrangements linked thereto, are offered to the public, as the Dealer(s) and any distributors act pursuant to a mandate granted by the Issuer and they receive fees on the basis of the services performed and the outcome of the placement of the Securities, or arrangements linked thereto, potential conflicts of interest could arise.

(b) *There may be potential conflicts of interests if intermediaries are appointed in connection with the offer or placement of the Securities*

Given that the intermediaries appointed from time to time as distributors and the other entities acting in connection with the offer or placement of the Securities act in their institutional capacity pursuant to a mandate granted by the Issuer and receive fees on the basis of the placement activity carried out and its outcome, such intermediaries generally act in a situation that may give rise to a potential conflict of interest.

To the extent permitted by applicable law, if any commissions or fees relating to the issue and sale of the Securities have been paid or are payable by the Dealer to an intermediary, then such intermediary may be obliged to fully disclose to its clients the existence, nature and amount of any such commissions or fees (including, if applicable, by way of discount) as required in accordance with laws and regulations applicable to such intermediary, including any legislation, regulation and/or rule implementing the Markets in Financial Instruments Directive (2004/39/EC) ("**MiFID**"), or as otherwise may apply in any non-EEA jurisdictions. Investors in Securities through an intermediary (including by way of introducing broker) should be aware that the existence of commissions that may be payable to such intermediary in respect of the Securities to the extent permitted by applicable law may give rise to conflicts of interest, as an intermediary may be interested in selling to its customers primarily Securities where it receives the highest commissions. Investors should request details of any such commission or fee payment from such intermediary and any potential conflicts of interest before making any purchase of Securities.

2.10 ***Calculation Agent's discretion***

The Calculation Agent (which will likely be ANTS or an affiliate of ANTS) has a very broad discretionary authority to make various determinations and adjustments under the Securities, any of which may have an adverse effect on the value and/or the amounts payable under the Securities. For example, the Calculation Agent has a broad discretion to, without limitation, (i) determine whether a Disrupted Day, Index Adjustment Event, Potential Adjustment Event, Extraordinary Event and/or any other event and/or matters so specified in the Conditions has occurred, (ii) determine any resulting adjustments and calculations as described in the Conditions and (iii) make determinations in respect of any other matters as may be specified in the applicable Issue Terms. Prospective purchasers should be aware that any determinations made by the Calculation Agent may have an impact on the value and financial return of the Securities. Any such discretion exercised by, or any calculation made by, the Calculation Agent (in the absence of manifest error) shall be binding on the Issuer and all holders of the Securities.

2.11 ***The Conditions of the Securities contain provisions which may permit their modification without the consent of all investors***

The General Terms and Conditions of the N&C Securities and the General Terms and Conditions of the Warrants contain provisions for calling meetings of Securityholders to consider matters affecting their interests generally including, without limitation, modifications of certain provisions of the relevant Securities, Receipts or Coupons or the Agency Agreement (as the case may be). The meetings provisions permit defined majorities (as set out in N&C Securities Condition 16 (Meetings of N&C Securityholders and Modifications)) and Warrant Condition 13 (Meetings of Warrantholders and Modifications) to bind all Securityholders including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority.

The General Terms and Conditions of the N&C Securities and the General Terms and Conditions of the Warrants also provide that the Issuer may, without the consent of Securityholders, agree to:

(i) certain modifications of the Securities, including:

(A) any modification of the provisions of the Securities, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Securityholders; or

(B) any modification of any of the provisions of the Conditions, the Securities, the Receipts, the Coupons or the Agency Agreement (as the case may be) which is of a formal, minor or technical nature or is made to correct a manifest or proven error or is made to correct an error, ambiguity or omission such that, in the absence of such correction, the terms of the Securities would not otherwise represent the intended terms of the Securities on which the Securities were sold and have since traded or is to comply with mandatory provisions of applicable law; or

(ii) the substitution of another company as principal debtor under any Securities in place of the Issuer, in certain circumstances.

2.12 ***Potential investors should consider certain legal and tax consequences of investing in the Securities***

(a) *Characterisation of the Securities*

The appropriate characterisation of the Securities under various legal investment restrictions, and thus the ability of potential investors subject to those restrictions to purchase the Securities, may be subject to significant interpretative uncertainties. No representation is made as to the proper characterisation of the Securities for legal investment purposes, or for risk-weighting, Securities valuation, regulatory, accounting or other financial institution regulatory regimes of any regulatory body. Potential investors should consult with their own legal advisers in determining whether, and to what extent, the Securities will constitute legal investments for them and the consequences of such an investment.

The Issuer and/or its Affiliates cannot advise on the appropriate accounting treatment or possible tax consequences of an indicative transaction. Prior to purchasing the Securities, a potential investor should discuss with its professional advisers how such purchase would or could affect them. Potential investors with any questions regarding the impact of an investment in the Securities on their tax position should consult their tax adviser. Neither the Issuer nor any of its affiliates provides tax or legal advice.

The Securities will not have the benefit of a gross-up provision in respect of withholding taxes. Securityholders will bear the risk of the imposition of any deduction or withholding with respect to payments made under the Securities.

(b) *Taxation and Expenses*

Potential purchasers and sellers of Securities should be aware that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Securities are transferred and/or any assets are delivered. Securityholders are subject to the provisions of the Conditions and payment and/or delivery of any amount due in respect of the Securities will be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

It is not possible to predict whether the tax regime on the basis of which the net values relating to any amount payable to investors pursuant to the Securities applicable as at the date of publication of the specific Issue Terms may be amended during the life of the Securities, nor can it be excluded that, in case of amendments, the net values indicated with respect to the Securities may differ, even substantially, from those which will effectively apply to the Securities as at the various payment dates, as indicated in the relevant Issue Terms.

To that end, the section "*Taxation*" in this Base Prospectus sets out a brief description of the tax regime applicable to the purchase/subscription, ownership or disposal of the Securities for certain categories of investors, based on the tax laws in

force in certain jurisdictions as at the date of this Base Prospectus. Such laws remain subject to any changes in law which may occur after such date, and which could be made on a retroactive basis.

Potential purchasers who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, potential purchasers should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

If Physical Delivery is specified in the applicable Pricing Supplement as applying in relation to any Securities, all expenses arising from the delivery of the relevant Asset Amount or Entitlement (as the case may be and as hereinafter defined) in respect of such Security shall be for the account of the relevant Securityholder and the Issuer is under no obligation to deliver such Asset Amount or Entitlement (as the case may be) until all such expenses have been paid to the satisfaction of the Issuer by the relevant Securityholder. Where such expenses are not paid to the Issuer's satisfaction, the Issuer has the option to proceed with delivery but in so doing has the right to deduct an amount at least equal to the aggregate unpaid expenses from the Asset Amount or Entitlement (as the case may be) to be delivered. The Issuer's delivery obligations in respect of the Securities will be discharged in full by delivery of such reduced Asset Amount or Entitlement less any such deduction.

(c) *Hiring Incentives to Restore Employment Act Withholding*

The U.S. Hiring Incentives to Restore Employment Act (the "**HIRE Act**") imposes a 30% withholding tax on amounts attributable to U.S. source dividends that are paid or "deemed paid" under certain financial instruments if certain conditions are met. While significant aspects of the application of the relevant provisions of the HIRE Act to the Securities are uncertain, if the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld. Prospective investors should refer to the section "*Taxation – Hiring Incentives to Restore Employment Act*".

(d) *Foreign Account Tax Compliance Withholding*

Whilst the Securities are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 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. It also 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. The Issuer's obligations under the Securities are discharged once it has paid the clearing systems, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act"*.

(e) *Local transfer tax and other taxes*

As of 1 August 2012, pursuant to the French amending finance law for 2012, a financial transaction tax in France was introduced (the "**French Financial Transaction Tax**"). The French Financial Transaction Tax is set to be imposed on certain transactions, referenced to, or in relation with, French listed shares where the relevant issuer's stock market capitalisation exceeds 1 billion euros. The French Financial Transaction Tax rate is 0.1% of the sale price of the transaction.

Similarly, on 24 December 2012, pursuant to paragraphs 491 to 500 of Article 1 of the Italian Law 288, a financial transaction tax in Italy was introduced (the "**Italian Financial Transaction Tax**"). Secondary legislation implementing the

Italian Financial Transaction Tax is still to be issued. The Italian Financial Transaction Tax is set to be imposed on certain transactions, referenced to, or in relation with, shares of Italian resident companies. The Italian Financial Transaction Tax rate is between 0.12% and 0.22% of the sale price of the transaction.

The return on Securities may be affected by the application of these taxes depending on the Reference Item(s) selected. Investors that are unsure about the implications of such taxes as they relate to the applicable Securities should seek professional advice.

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

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Securities (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

At this stage, it is too early to say whether the FTT proposals will be adopted and in what form. However, if the FTT is adopted based on the current proposals, then it may operate in a manner giving rise to tax liabilities for the Issuer with respect to certain transactions (for example, with reference to its hedging arrangements, or if physical settlement is applicable to certain types of Securities). The Issuer is, in certain circumstances, able to pass on any such liabilities to holders of the relevant Securities and therefore this may result in investors receiving less than expected in respect of such Securities. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of Securities (including secondary market transactions) if conditions for a charge to arise are satisfied.

The FTT proposal 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. Additional EU Member States may decide to participate. Prospective holders of Securities are advised to seek their own professional advice in relation to the FTT.

(g) *No additional amounts will be payable*

Neither the Issuer nor the Guarantor will pay any additional amounts in connection with any payments to be made under the Securities as a result of any withholding or deduction required by law.

(h) *Withholding under the EU Savings Directive*

Under the EU Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have 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 1 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.

If a payment were to be made or collected through a Member State which has opted for a withholding system, and an amount of, or in respect of tax, were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions) nor any other person would be obliged to pay additional amounts with respect to any Security as a result of the imposition of such withholding tax. 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.

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

2.14 ***Hedging***

In connection with the offering of the Securities, the Issuer, the Guarantor and/or any of their affiliates or other parties may enter into one or more hedging transactions with respect to the underlying equities, indices or such other Reference Item to which payments under the Securities are related. In connection with such hedging activities or with respect to proprietary or other trading activities by the Issuer, the Guarantor and/or any of their affiliates or other parties, the Issuer, the Guarantor and/or any of its affiliates or other parties may enter into transactions in the Reference Item(s) or related derivatives which may affect the market price, liquidity or value of the Securities and which could be deemed to be adverse to the interest of the relevant Securityholders.

It may not be possible to use the Securities as a perfect hedge against the market risk associated with investing in a Reference Item. Prospective purchasers intending to purchase Securities to hedge against the market risk associated with investing in a Reference Item should recognise the complexities of utilising Securities in this manner. For example, the value of the Securities may not exactly correlate with the value of the Reference Item. Due to fluctuating supply and demand for the Securities, there is no assurance that their value will correlate with movements of the Reference Item. For these reasons, among others, it may not be possible to purchase or liquidate Securities in a portfolio at the prices used to calculate the value of any Reference Item. Please see also the Risk Factor entitled "*Potential conflicts of interest*" above.

2.15 ***Postponement or alternative provisions for the valuation of a Reference Item may have an adverse effect on the value of the Securities***

If the Calculation Agent determines that any scheduled valuation date (including an averaging date) (i) falls on a day which is not a Scheduled Trading Day or any other day which is subject to adjustment in accordance with the terms and conditions of the relevant Securities and/or (ii) falls on a day in respect of which a disruption or similar event has occurred and is continuing in respect of the Reference Item which affects the valuation of such Reference Item, the Calculation Agent has broad discretion to make any consequential postponement of, or any alternative provisions for, valuation of such Reference Item provided in the terms and conditions of the Securities, including a determination of the value of such Reference Item by the Calculation Agent in its discretion, each of which may have an adverse effect on the value of the Securities.

2.16 ***Where N&C Securities are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of his investment***

The Issuer may issue N&C Securities where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of his N&C Securities could result in such investor losing some or all of his investment.

2.17 ***N&C Securities issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates***

The market value of N&C Securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the N&C Securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

2.18 ***Risk of Leveraged Exposure***

Leverage involves the use of a number of financial techniques to increase the exposure to an underlying Reference Item, and can therefore magnify both returns and losses. While the use of leverage allows for potential multiples of a return (assuming a return is achieved) when the underlying Reference Item moves in the anticipated direction, it will conversely magnify losses when the underlying Reference Item moves against expectations. If the relevant Securities include leverage, potential holders of such Securities should note that these Securities will involve a higher level of risk, and that whenever there are losses such losses may be higher than those of a similar security which is not leveraged. Investors should therefore only invest in leveraged Securities if they fully understand the effects of leverage.

2.19 ***Emerging Markets Risks***

Where the Securities relate to Reference Items associated with, or denominated in the currencies of, emerging market countries, investors should note that the risk of the occurrence of and the severity of the consequences of the matters described herein may be greater than they would otherwise be in relation to more developed countries. Emerging markets jurisdictions may be characterised as politically unstable and/or lacking a stable and fully developed economy and financial system and/or lacking in established rule of law. Emerging markets investments generally have greater risks than those from developed jurisdictions including political risk, economic risk, currency risk, market risk, regulatory/legal risk and shareholder risk as further described below:

- *Political risk:* The relative instability of political systems of emerging markets jurisdictions may leave them more vulnerable to public unrest and instability. Such circumstances, in turn, could lead to a reversal of some or all economic or political reform including such policies as confiscatory taxation, exchange controls or expropriation of foreign-owned assets without adequate compensation. Any such policies could have an adverse effect on the value of the Reference Item(s) and, in turn, the relevant Securities.

- *Economic risk:* Businesses and governments of emerging markets jurisdictions may be relatively inexperienced in dealing with difficult market conditions (such as the on-going global recession) and may have a limited capital base from which to borrow funds. In addition, an emerging markets jurisdiction may lack a developed banking sector and its financial institutions may not be adequately regulated. These factors, among other economic issues, could affect the functioning of the economy and have a corresponding adverse effect on the performance of the Reference Item(s) and, in turn, the relevant Securities.

- *Currency risk:* Reference Item(s) or Securities denominated in the currencies of emerging markets jurisdictions may be subject to greater volatility and possibly the suspension of the ability to exchange or transfer currency, or the devaluation of the currency.

- *Market risk:* The financial systems and markets of emerging markets jurisdictions may lack the level of transparency and liquidity found in more developed markets. As a result, such markets may suffer from extreme price volatility, price discrepancies and lack of liquidity. Any such circumstances or events may have an adverse effect on the performance of the Reference Item(s) and, in turn, the relevant Securities.

- *Regulatory/Legal risk:* In emerging markets jurisdictions there may be less government regulation of business and industry practices, stock exchanges, over-the-counter markets and market participants than in more developed countries. Legislation to safeguard the rights of private ownership and to prevent stock market manipulation may not be fully developed and regulations governing investments in securities may not exist or may be subject to inconsistent or arbitrary application or interpretation and may be subject to change with

retroactive effect. The holder of a Reference Item of an emerging markets jurisdiction may not be able to pursue legal remedies in the courts of such jurisdictions. Any such circumstances or events may have an adverse effect on the performance of the Reference Item(s) and, in turn, the relevant Securities.

2.20 ***Discontinuation or withdrawal of offer period***

Unless otherwise specified in the applicable Issue Terms, the offer period in relation to any Securities may be discontinued at any time.

In addition under certain circumstances indicated in the applicable Issue Terms, the Issuer and/or the other entities indicated in the Issue Terms will have the right to withdraw or revoke the offer, and the offer will be deemed to be null and void according to the terms indicated in the applicable Issue Terms. In such case, any amounts segregated by a distributor or financial intermediary as intended payment of the offer price by an investor will be released to the relevant investor by the distributor or financial intermediary but may or may not accrue interest depending on the agreements between the investor and the relevant distributor or financial intermediary or depending on the policies applied by the distributor or financial intermediary in this regard. In these circumstances, there may also be a time lag in the release of any such amounts and, unless otherwise agreed with the relevant distributor or financial intermediary, no amount will be payable as compensation and the investor may be subject to reinvestment risk.

Unless otherwise provided in the applicable Issue Terms, the Issuer and/or the other entities specified in the applicable Issue Terms may terminate the offer early by immediate suspension of the acceptance of further subscription requests. Any such termination may occur even where the maximum amount for subscription in relation to that offer (as specified in the applicable Issue Terms), has not been reached. In such circumstances, the early closing of the offer may have an impact on the aggregate number of Securities issued and, therefore, may have an adverse effect on the liquidity of the Securities.

Furthermore, under certain circumstances, the Issuer and/or the other entities indicated in the applicable Issue Terms will have the right to postpone the originally designated Issue Date. For the avoidance of doubt, this right applies also in the event that the Issuer publishes a supplement to this Base Prospectus in accordance with the provisions of the Prospectus Directive. In the event that the issue date is so delayed, no compensation or amount in respect of interest shall be payable or otherwise accrue in relation to such Securities unless otherwise agreed between the investor and the relevant distributor or the policies of the distributor or financial intermediary so provide.

2.21 ***Over-issuance of Securities by the Issuer***

As part of its issuing, market-making and/or trading arrangements, the Issuer may issue more Securities than those which are to be subscribed or purchased by third party investors. The Issuer (or any of its affiliates) may hold such Securities for the purpose of meeting any investor interest in the future. Prospective investors in the Securities should therefore not regard the issue size of any Series as indicative of the depth or liquidity of the market for such Series, or of the demand for such Series.

2.22 ***Post-issuance information***

Unless otherwise specified in the applicable Issue Terms and save as required by any applicable laws and regulations, the Issuer will not provide post-issuance information in relation to the Securities or the Reference Item.

2.23 ***Risks relating to Inventory Securities which have been issued prior to the date of their purchase***

In the case of Securities which have been issued prior to the date of their purchase and which the Dealer has been holding from time to time on its own account ("**Inventory Securities**"), the disclosure in relation to the Reference Item(s) to which the relevant Inventory Securities may be linked as set forth in the Issue Terms will have been extracted by the Issuer from publicly available sources but will not have been prepared by, or on behalf of, and will not have been verified by, or on behalf of, the Issuer, the Guarantor (if applicable), the Dealer or any other member of the Santander Group, each of which will have disclaimed any responsibility for such information. Such information may be out of date and none of the Issuer, the Guarantor, the Dealer or any other member of the Santander Group shall provide any updated information in relation to the Reference Item(s). If there has been any change in the Reference Item(s) since the date of the Issue Terms, this may

have an adverse effect on the pay-out and/or value of the relevant Inventory Securities. Furthermore, any change in the situation or condition of the Issuer and/or the Guarantor (if applicable) since the date of the Issue Terms will not be disclosed and may have an adverse effect on the value of the relevant Inventory Securities.

2.24 ***If the United Kingdom joins the European Monetary Union prior to the maturity of the Securities, the Issuer and the Guarantor cannot assure the Securityholders that this would not adversely affect payments on the Securities***

It is possible that prior to the termination of the Securities the United Kingdom may become a participating member state in the European economic and monetary union and the euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of any Securities denominated in pounds sterling may become payable in euro; (ii) applicable provisions of law may allow or require the Issuer to re-denominate such Securities into euro and take additional measures in respect of such Securities; and (iii) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in pounds sterling used to determine the rates of interest on such securities or changes in the way those rates are calculated, quoted and published or displayed. It cannot be said with certainty what effect, if any, adoption of the euro by the United Kingdom would have on investors in the Securities.

Provisions relating to any such redenomination of Exempt Securities are included in N&C Security Condition 17 (Redenomination) and Warrant Condition 15 (Redenomination). Prospective investors should familiarise themselves with these provisions and should note in particular that these provisions permit the Issuer to redominate Exempt Securities in euro without the consent of any Securityholders, Receiptholders or Couponholders. Such redenomination may be performed in accordance with the provisions of N&C Security Condition 17 (Redenomination) or Warrant Condition 15 (Redenomination), as applicable or, if different, the then prevailing market practice for redenomination in euro of internationally offered securities. Prospective investors should note further that the provisions of N&C Security Condition 17 (Redenomination) provide that, in the event of any such redenomination, all unmatured Coupons (whether or not attached to the Securities) and the payment obligations contained in any Securities and Receipts, in each case, issued prior to the date of the redenomination and denominated in the Specified Currency of the Securities will become void and such Securities, Receipts and Coupons will instead constitute valid exchange obligations of the Issuer for exchange for corresponding new euro-denominated Securities, Receipts and Coupons.

2.25 ***If an investor holds Securities 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 Securities could result in an investor not receiving payments on those Securities***

The Issuer will pay principal, interest and other amounts on the Securities and the Guarantor will make any payments under the Guarantee 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 Securities, (2) the Investor's Currency equivalent value of the principal payable on the Securities, and (3) the Investor's Currency equivalent market value of the Securities.

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 or the Guarantor to make payments in respect of the Securities. As a result, investors may receive less interest or principal or settlement amount than expected, or no interest or principal or settlement amount.

2.26 ***The Issuer and the Guarantor may rely on third parties and the Securityholders may be adversely affected if such third parties fail to perform their obligations***

The Issuer and the Guarantor may be a party to contracts with a number of other third parties that have agreed to perform services in relation to the Securities. For example, the Paying Agents and Warrant Agents have agreed to perform services in connection with the Securities; and Euroclear and Clearstream, Luxembourg have, in respect of Securities in global form

deposited with them ("**Global Securities**), agreed, *inter alia*, to accept such Global Securities as eligible for settlement and to properly service the same, and to maintain up-to-date records in respect of the total amount or number outstanding of such Global Securities. In the event that any relevant third party was to fail to perform its obligations under the respective agreements to which it is a party, the Securityholders may be adversely affected.

3. Risks associated with the N&C Securities

3.1 ***Settlement risks and risk of capital loss***

The Issuer may (as specified in the applicable Issue Terms) be entitled to redeem N&C Securities either by payment of a cash amount ("**Cash-Settled N&C Securities**") and/or by physical delivery of all or part of a Reference Item or some other asset or property ("**Relevant Asset**") ("**Physically-Settled N&C Securities**"). N&C Securities which are not Exempt N&C Securities will be Cash-Settled N&C Securities. In certain circumstances, the cash amount payable on Cash-Settled N&C Securities, or the value of assets or property deliverable on Physically-Settled N&C Securities, on redemption of such N&C Securities (whether at maturity or otherwise) may be less than the principal amount of the N&C Securities together with any accrued interest and may in certain circumstances be zero. In addition, in respect of any Physically-Settled N&C Securities, risk of delivery of the relevant asset or property will be the risk of the Securityholders and where any settlement disruption or other intervening event occurs this may mean that physical settlement cannot be made.

3.2 ***The inclusion of an Issuer call option in respect of Securities will generally mean that (a) the holder will not be able to participate in any future upside performance of the underlying Reference Item(s) following the effective date of the Issuer call option, (b) the market value of the Securities may be limited and (c) if the call option is exercised, the holder may not be able to reinvest the proceeds at an effective interest rate as high as any interest rate on the Securities***

If the applicable Issue Terms specify that the N&C Securities are redeemable at the option of the Issuer, the Issuer may redeem such N&C Securities at times when the prevailing interest rates may be relatively low. As a consequence, the yields (if any) received upon redemption may be lower than expected, and the redeemed face amount of the N&C Securities may be lower than the purchase price for the N&C Securities paid by the Securityholder. As a consequence, part of the capital invested by the N&C Securityholder may be lost, so that the Securityholder in such case would not receive the total amount of the capital invested. Accordingly, an investor generally will not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate, if applicable, as high as that of the N&C Securities. Furthermore, during any period when the Issuer may elect to redeem the N&C Securities, the market value of those N&C Securities generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

N&C Securities may also be redeemed early at the applicable Early Redemption Amount where an early redemption event is provided for in the relevant Issue Terms. The Early Redemption Amount in respect of each N&C Security may be less than the nominal amount or unit issue price of each N&C Security and shall (unless otherwise specified in the applicable Issue Terms) be an amount determined by the Calculation Agent as representing the fair market value of such N&C Securities ignoring the circumstances leading to such early redemption, adjusted to account fully for any reasonable expenses and costs of unwinding any underlying and/or related hedging and funding arrangements (including, without limitation, any equity options, equity swaps or other instruments of any type whatsoever hedging the Issuer's obligations under the N&C Securities). Following any such early redemptions, an investor generally would not be able to reinvest the redemption proceeds at any effective interest rate as high as the interest rate on the relevant N&C Securities 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. Moreover, each interest-bearing N&C Security may cease to bear interest from the interest payment date immediately preceding the date of occurrence of the event giving rise to early redemption of the N&C Securities.

3.3 ***The yield to maturity of the N&C Securities may be adversely affected by redemptions by the Issuer***

The yield to maturity of each series of N&C Securities may depend on: (i) the amount and timing of the repayment of principal or other redemption amounts on the N&C Securities or periodic payments, if any, on the N&C Securities; and (ii) the price paid by the Securityholders of each series. The yield to maturity of the N&C Securities may be adversely affected where such amounts paid by the Issuer to the Securityholders, in accordance with their terms, are lower than anticipated.

3.4 ***The N&C Securities may be redeemed early if the Issuer's performance under such N&C Securities has become unlawful or impractical in whole or in part for any reason or if certain regulatory event(s) occur, or in certain other circumstances***

In the event that the Calculation Agent determines that the performance of the obligations of the Issuer, or the obligations of the Guarantor under the N&C Securities, or any arrangements made to hedge the Issuer's obligations under the N&C Securities, has or will become unlawful, illegal or otherwise prohibited in whole or in part or a relevant change in any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power (but, if not having the force of law, only if compliance with it is in accordance with the general practice of persons to whom it is intended to apply), or in the interpretation thereof, has occurred or certain other events specified in the relevant Annex (have occurred) the Issuer may redeem or cancel the N&C Securities as at the Early Redemption Amount specified in the applicable Issue Terms.

3.5 ***Time Lag After Redemption***

Unless otherwise specified in the relevant Issue Terms, in the case of N&C Securities which the Issuer is required to redeem prior to the Maturity Date at the option of the Securityholder, there will be a time lag between the time a Securityholder gives the instruction to redeem and the time the applicable Optional Redemption Amount is determined by the Calculation Agent. Such time lag could be significantly longer, however, particularly in the case of a delay in the redemption of N&C Securities due to there being a limit on the maximum number of N&C Securities redeemable on any one day, following the imposition of any exchange controls or similar regulations affecting the ability to obtain or exchange any relevant currency (or basket of currencies), or following a determination by the Issuer, or the Calculation Agent, as applicable, that there should be a change or changes to the calculation of the Optional Redemption Amount, or to the terms of the N&C Securities. The applicable Optional Redemption Amount may change significantly during any such period, and such movement or movements could decrease the Optional Redemption Amount, and may result in a Securityholder not realising a return or making a greater loss than would otherwise be the case on an investment in the N&C Securities.

3.6 ***Euro-system Eligibility in relation to N&C Securities***

The European Central Bank maintains and publishes a list of assets which are recognised as eligible collateral for Eurosystem monetary and intra-day credit operations. In certain circumstances, recognition may impact on (among other things) the liquidity of the reference items. Recognition (and inclusion on the list) is at the discretion of the Eurosystem and is dependent upon satisfaction of certain Eurosystem eligibility criteria and rules. If application is made to the European Control Board for any N&C Securities to be recognised and added to the list of eligible assets, there can be no assurance that such N&C Securities will be so recognised, or, if they are recognised, that they will continue to be recognised at all times during their life. None of the Issuer, any Dealer, the Book-Entry Depositary or any agent makes any representation or warranty as to the eligibility of any Security for the Eurosystem.

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

In relation to any issue of N&C Securities 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 N&C Securities 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 N&C Securities in respect of such holding (should definitive N&C Securities be printed) and would need to purchase a principal amount of N&C Securities such that its holding amounts to a Specified Denomination.

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

3.8 ***Certain Considerations relating to Book-Entry Interests***

Until and unless definitive N&C Securities in registered form are issued in exchange for the N&C Securities, holders of the Book-Entry Interests will not be considered the owners or holders of N&C Securities with regard to payment. To the extent the N&C Securities are issued in the form of Immobilised Bearer Global N&C Securities, the Book-Entry Depositary or its nominee will be the sole holder of such N&C Securities. The Issuer, the Principal Paying Agent and the Registrar will treat the bearer of the Immobilised Bearer Global N&C Securities as the owner thereof for the purposes of receiving payments and for all other purposes. Upon receipt of amounts owing in respect of the Immobilised Bearer Global N&C Securities, the Book-Entry Depositary will pay the amounts so received to the relevant clearing system(s) for onward payment to applicable owners of Book-Entry Interests in accordance with their procedures. Accordingly, holders of a Book-Entry Interest must rely on the procedures of the relevant clearing system(s) to exercise any rights and remedies of a Securityholder under the Securities.

3.9 ***Limitations on ownership of Book-Entry Interests***

Ownership of Book-Entry Interests will be limited to persons with an account with Euroclear and/or Clearstream, Luxembourg or persons who may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be affected only through records maintained in book-entry form by Euroclear and/or Clearstream, Luxembourg and their participants.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream, Luxembourg (as applicable) will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. Limitations on ownership of Book-Entry Interests may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Immobilised Bearer N&C Securities are in global form, holders of Book-Entry Interests will not be considered the owners or Securityholders of such N&C Securities for any purpose.

3.10 ***CDI Record Date***

Whenever the Book-Entry Depositary shall receive notice of any action to be taken by it as holder of an Immobilised Bearer Global N&C Security and the Issuer deems it appropriate, including in respect of any payment to be made in respect of an Immobilised Bearer Global N&C Security, the Issuer shall determine and notify the Book-Entry Depositary of a record date (each a "**Record Date**") for the determination of the number of units or principal amount represented by the corresponding CDI. Subject to the provisions of the N&C Securities Depositary Agreement, only the holder in whose name the relevant CDIs are recorded in the Register at the close of business on the relevant Record Date shall be entitled to (i) receive any such payment, (ii) give instructions as to any such action or (iii) act in respect of any such matter, as the case may be.

3.11 ***CREST Depository Interests***

Investors who hold interests in the N&C Securities through Euroclear UK & Ireland Limited (formerly known as CRESTCo Limited) ("**CREST**") through CREST Depository Interests will not be the legal owners of the N&C Securities (the "**Underlying Securities**") to which such CREST Depository Interests relate. CREST Depository Interests are separate legal instruments from the Underlying Securities and represent indirect interests in the interests of the CREST Nominee (as defined below) in such Underlying Securities. CREST Depository Interests will be issued by the CREST Depository to investors and will be governed by English law.

The Underlying Securities (as distinct from the CREST Depository Interests representing indirect interests in such Underlying Securities) will be held in an account with a custodian. The custodian will hold the Underlying Securities through the relevant Clearance System. Rights in the Underlying Securities will be held through custodial and depositary links through the relevant Clearance System. The legal title to the Underlying Securities or to interests in the Underlying Securities will depend on the rules of the relevant Clearance System in or through which the Underlying Securities are held.

CREST International Nominees Limited or another entity appointed to act as nominee in accordance with the CREST Deed Poll (in the form contained in Chapter 3 of the CREST International Manual (which forms part of the CREST Manual (as defined below)) (the "**CREST Deed Poll**"), (the "**CREST Nominee**") will hold the legal title to the Underlying Securities and the direct enforcement right in respect of the Underlying Securities. This could result in a holder of CREST Depository Interests receiving less than, or none of, the full amount payable in respect of the Underlying Securities in the event of any insolvency or liquidation of any relevant intermediary, in particular where the Underlying Securities 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.

Rights in respect of the Underlying Securities cannot be enforced by holders of CREST Depository Interests except indirectly through CREST Depository Limited or any successor thereto (the "**CREST Depository**") and the CREST Nominee who in turn can enforce rights indirectly through the intermediary depositaries and custodians described above. The enforcement of rights in respect of the Underlying Securities will therefore be subject to the local law of the relevant intermediary.

These arrangements could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Securities in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Securities 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.

If a matter arises that requires a vote of Securityholders, the Issuer (or the Guarantor, as the case may be) may make arrangements to permit the holders of Crest Depository Interests to instruct the CREST Depository to exercise the voting rights of the CREST Nominee in respect of the Underlying Securities. However, there is no guarantee that it will be possible to put such voting arrangements in place for holders of CREST Depository Interests.

Holders of CREST Depository Interests will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to the CREST International Manual (April 2008) issued by CREST and as amended, modified, varied or supplemented from time to time (the "**CREST Manual**") and the CREST Rules (contained in the CREST Manual) applicable to the CREST International Settlement Links Service. Holders of CREST Depository Interests must comply in full with all obligations imposed on them by such provisions.

Investors in CREST Depository Interests 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 holders of CREST Depository Interests and limitations on the liability of the CREST Depository as issuer of the CREST Depository Interests. Holders of CREST Depository Interests may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the money invested by them and the rights of and returns received by holders of CREST Depository Interests may differ from those of holders of Securities which are not represented by CREST Depository Interests.

Investors in CREST Depository Interests should note that holders of CREST Depository Interests 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 Underlying Securities through the CREST International Settlement Links Service.

Investors in CREST Depository Interests should note that none of the Issuer, the Guarantor, any Dealer or any Agent will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders acting in connection with CREST Depository Interests or for the respective obligations of such intermediaries, participants or accountholders under the rules and procedures governing their operations.

3.12 ***The value of Fixed Rate N&C Securities may be adversely affected by movements in market interest rates***

Investment in Fixed Rates N&C Securities involves the risk that if the market interest rates subsequently increase above the rate paid on the Fixed Rate N&C Securities, this will adversely affect the value of the Fixed Rate N&C Securities.

3.13 ***N&C Securities which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities***

N&C Securities with floating interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market value may be more volatile than those for securities that do not include these features. An investor may receive substantially less or no interest at all on such Floating Rate N&C Securities.

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

Fixed/Floating Rate N&C Securities are N&C Securities 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. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the N&C Securities since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate N&C Securities may be less favourable than the then prevailing spreads on comparable floating rate notes relating to the same reference rate. In addition, the new floating rate at any time may be lower than the interest rates payable on other N&C Securities. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing market rates.

3.15 ***Inverse Floating Rate N&C Securities will have more volatile market values than convention Floating Rate N&C Securities***

Inverse Floating Rate N&C Securities may have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate (LIBOR). The market value of inverse Floating Rate N&C Securities typically is more volatile than the market value of other more conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate N&C Securities are more volatile because an increase in the reference rate not only decreases the interest rate payable on the N&C Securities, but may also reflect an increase in prevailing interest rates, which may further adversely affect the market value of the N&C Securities.

4. Risks associated with the Warrants

4.1 ***Settlement risks and risk of capital loss***

The Issuer may (as specified in the applicable Issue Terms) be entitled to settle Warrants either by payment of a cash amount ("**Cash-Settled Warrants**") and/or by physical delivery of all or part of a Reference Item or some other asset or property ("**Relevant Asset**") ("**Physically-Settled Warrants**"). Warrants which are not Exempt Warrants may only be Cash-Settled Warrants. In certain circumstances, the cash settlement amount payable on Cash-Settled Warrants, or the value of assets or property deliverable on Physically-Settled Warrants, on settlement of such Warrants (whether at expiration or otherwise) may be less than the initial amount invested and may in certain circumstances be zero. In addition, in respect of any Physically-Settled Warrants, risk of delivery of the relevant asset or property will be the risk of the Warrantholders and where any settlement disruption or other intervening event occurs this may mean that physical settlement cannot be made.

4.2 ***The Warrants may be cancelled early if the Issuer's performance under such Warrants has become unlawful or impractical in whole or in part for any reason or if certain regulatory event(s) occur, or in certain other circumstances***

In the event that the Calculation Agent determines that the performance of the obligations of the Issuer, or the obligations of the Guarantor under the Warrants, or any arrangements made to hedge the Issuer's obligations under the Warrants, has or will become unlawful, illegal or otherwise prohibited in whole or in part or a relevant change in any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power (but, if not having the force of law, only if compliance with it is in accordance with the general practice of persons to whom it is intended to apply), or in the interpretation thereof, has occurred or certain other events specified in the relevant Annex, have occurred, the Issuer may settle or cancel the Warrants as at the Issuer Early Cancellation Amount specified in the applicable Issue Terms.

4.3 ***Certain Factors Affecting the Value and Trading Price of Warrants***

The Cash Settlement Amount (in the case of Cash Settled Warrants) or the difference in the value of the Entitlement and the Exercise Price (the "**Physical Settlement Value**") (in the case of Physical Delivery Warrants) at any time prior to expiration is typically expected to be different from the trading price of such Warrants at that time. The difference between the trading price and the Cash Settlement Amount or the Physical Settlement Value, as the case may be, will reflect, among other things, the "time value" of the Warrants. The "time value" of the Warrants will depend partly upon the length of the period remaining to expiration and expectations concerning the value of the Reference Item. Warrants offer hedging and investment diversification opportunities but also pose some additional risks with regard to interim value. The interim value of the Warrants varies with the price level of the Reference Item, as well as by a number of other interrelated factors, including those specified herein.

Before exercising or selling Warrants, Warrantholders should carefully consider, among other things, (i) the trading price of the Warrants, (ii) the value and volatility of the Reference Item, (iii) the time remaining to expiration, (iv) in the case of Cash Settled Warrants, the probable range of Cash Settlement Amounts, (v) any change(s) in interim interest rates and dividend yields if applicable, (vi) any change(s) in currency exchange rates, (vii) the depth of the market or liquidity of the reference index (or basket of indices), or other asset or basis of reference as specified in the applicable Issue Terms and (viii) any related transaction costs.

In addition, in the event that a Warrantholder does not deliver a valid Exercise Notice, in the case of Warrants other than Automatic Exercise Warrants, or an Asset Transfer Notice, in the case of Automatic Exercise Warrants, as contemplated in the Warrant Conditions, the Issuer may, but is not required to, elect to deliver to the relevant Clearance System(s) the aggregate Entitlement in respect of such Warrants, to be divided between and delivered to the relevant Warrantholders by the relevant Clearance System(s) in accordance with the rules of the relevant Clearance System(s) but no assurance is given as to the effect of such rules or other Clearance System practices for any such Warrantholders.

4.4 ***Delivery of Exercise Notice***

If Automatic Exercise is not specified to be applicable in the applicable Issue Terms, unless an Exercise Notice has been delivered in accordance with the Warrant Conditions on or prior to the Expiration Date, the Warrants shall become void and the Issuer shall be discharged from its obligations to pay any Cash Settlement Amount or deliver any Entitlement under the Warrants. In such a case, a Warrantholder will not have any further recourse against the Issuer.

In addition, in respect of Physical Delivery Warrants where Automatic Exercise is specified to be applicable in the applicable Pricing Supplement, if no Asset Transfer Notice is delivered in accordance with the Warrant Conditions on or prior to the Expiration Date, the Conditions provide that in circumstances where the Assessed Value Payment Amount (as specified in the applicable Pricing Supplement) is greater than zero, the Issuer shall pay a cash amount in lieu of delivery of the Entitlement to the relevant Warrantholder.

4.5 ***Early Cancellation at the Option of the Issuer***

If Issuer Early Cancellation is specified to be applicable in the applicable Issue Terms, the Issuer may at its option cancel all the Warrants at the Issuer Early Cancellation Amount. In such a case, Warrantholders will not be able to exercise their Warrants on any Exercise Date occurring after such early cancellation of the Warrants. As a result, if the Reference Item performs positively after such early cancellation, Warrantholders will not be able to benefit from such positive performance.

4.6 ***Early Exercise of Warrants***

Certain Warrants may be specified to become automatically exercised on the occurrence of certain events, including, without limitation, if the Settlement Price during a certain period is lower or greater than a specified level. In such a case, Warrants will be exercised earlier than anticipated.

4.7 ***For Warrants that are not automatically exercised, Warrantholders must exercise Warrants or risk loss of investment***

Where the Conditions provide that the Warrants must be exercised in order for the purchasers of the Warrants to receive any settlement amount in respect of such Warrants, and the Warrants are not designated as "Automatic Exercise Warrants", the Warrantholders must exercise their rights to receive payment in accordance with the Conditions and the requirements of the relevant clearing systems or the relevant Paying Agent, as applicable. Otherwise they will not receive the settlement amount (if any).

4.8 ***Warrant holders cannot exercise "European Style Warrants" during their term***

"European Style Warrants" are only exercisable on the Exercise Date and cannot be exercised during their term. Consequently, the date on which the settlement amount is calculated is predetermined in the Warrant Conditions and such Warrants cannot be exercised by the Warrantholder on any other day during the term of the Warrants.

4.9 ***Market Disruption Event and Disrupted Day***

If an issue of Warrants includes provisions dealing with the occurrence of a market disruption event or a failure to open of an exchange or related exchange on a Valuation Date or an Averaging Date and the Calculation Agent determines that a market disruption event or such failure has occurred or exists on a Valuation Date or an Averaging Date, any consequential postponement of the Valuation Date or Averaging Date or any alternative provisions for valuation provided in any Warrants may have an adverse effect on the value of such Warrants.

4.10 ***Settlement Disruption Event***

In the case of Physical Settlement Warrants, if a Settlement Disruption Event occurs or exists on the Settlement Date, settlement will be postponed until the next Settlement Business Day on which no Settlement Disruption Event occurs. The Issuer in these circumstances also has the right to pay the Disruption Cash Settlement Price (as defined in the Conditions) in lieu of delivering the Entitlement. Such a determination may have an adverse effect on the value of the relevant Warrants.

4.11 ***Exercise Expenses and Taxation***

A holder of Warrants must pay all Exercise Expenses (as defined in Warrant Condition 4.7, below) relating to the Warrants.

Neither the Issuer nor the Guarantor shall be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, exercise or enforcement of any Warrant and all payments made by the Issuer or the Guarantor will be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid withheld or deducted.

4.12 ***Limitations on Exercise***

If so indicated in the Issue Terms, the Issuer will have the option to limit the number of Warrants exercisable on any date (other than the Expiration Date) to the maximum number specified in the Issue Terms and, in conjunction with such limitation, to limit the number of Warrants exercisable by any person or group of persons (whether or not acting in concert) on such date. In the event that the total number of Warrants being exercised on any date (other than the Expiration Date) exceeds such maximum number and the Issuer elects to limit the number of Warrants exercisable on such date, a Warrantholder may not be able to exercise on such date all Warrants that such holder desires to exercise. In any such case, the number of Warrants to be exercised on such date will be reduced until the total number of Warrants exercised on such date no longer exceeds such maximum, such Warrants being selected at the discretion of the Issuer or in any other manner specified in the applicable Issue Terms. Unless otherwise specified in the Issue Terms, the Warrants tendered for exercise but not exercised on such date will be automatically exercised on the next date on which Warrants may be exercised, subject to the same daily maximum limitation and delayed exercise provisions.

4.13 ***Time Lag after Exercise***

Unless otherwise specified in the Issue Terms, in the case of any exercise of Warrants, there will be a time lag between the time a Warrantholder gives instructions to exercise and the time the applicable Cash Settlement Amount (in the case of Cash Settled Warrants) relating to such exercise is determined. Any such delay between the time of exercise and the determination of the Cash Settlement Amount will be specified in the applicable Issue Terms or the applicable Terms and Conditions. However, such delay could be significantly longer, particularly in the case of a delay in exercise of Warrants arising from any daily maximum exercise limitation, the occurrence of a market disruption event or failure to open when scheduled of an exchange or related exchange (if applicable) or following the imposition of any exchange controls. The applicable Cash Settlement Amount may change significantly during any such period, and such movement or movements could decrease the Cash Settlement Amount of the Warrants being exercised and may result in such Cash Settlement Amount being zero.

4.14 ***Minimum Exercise Amount and Units***

If so indicated in the Issue Terms, a Warrantholder must tender a specified minimum number of Warrants at any one time in order to exercise Warrants. Thus, Warrantholders with fewer than the specified minimum number of Warrants will either have to sell their Warrants or purchase additional Warrants, incurring transaction costs in each case, in order to realise their investment. Furthermore, holders of such Warrants incur the risk that there may be differences between the trading price of such Warrants and the Cash Settlement Amount (in the case of Cash Settled Warrants) or the Physical Settlement Value (in the case of Physical Delivery Warrants) of such Warrants.

4.15 ***Option to Vary Settlement***

If the applicable Issue Terms in respect of any Exempt Warrants indicates that the Issuer has an option to vary settlement in respect of such Warrants, the Issuer may, at its sole and unfettered discretion, elect (i) not to pay the relevant Warrantholders the Cash Settlement Amount, but to deliver or procure delivery of the Entitlement or (ii) not to deliver or procure delivery of the Entitlement, but to make payment of the Cash Settlement Amount on the Settlement Date to the relevant Warrantholders.

In addition, in the event that the Issuer fails to deliver any Entitlement, the Guarantor may in its sole discretion elect to pay the Assessed Value Payment Amount (as specified in the applicable Pricing Supplement) in lieu of delivery.

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

The Conditions are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Securities affected by it.

4.17 ***Taxation***

Potential purchasers and sellers of Warrants should be aware that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Warrants are transferred and/or any asset(s) are delivered.

4.18 ***Warrants with smaller Multiple Tradeable Size than Minimum Tradeable Size***

In relation to any issue of Warrants which have a Multiple Tradeable Size that is smaller than a Minimum Tradeable Size, in each case expressed in Units, it is possible that such Warrants may be traded in amounts that are not integral multiples of the applicable Minimum Tradeable Size. In such a case, a holder who, as a result of trading such amounts, holds an amount of Warrants that is less than the Minimum Tradeable Size in his account with the relevant clearing system at the relevant time, may not on-sell the Warrants in respect of such holding and would need to purchase further Warrants such that its holding amounts to a Minimum Tradeable Size.

5. Risks associated with Securities that are linked to one or more Reference Item(s)

5.1 ***General considerations with respect to underlying Reference Items***

The Securities may involve a high degree of risk, which include, among others, interest rate, corporate, market, foreign exchange, time value and/or political risks, as well as other risks arising from fluctuations in the values of the relevant securities (or basket of securities), index (or basket of indices) or, in the case of Exempt Securities only, other underlying assets (each a "**Reference Item**") which may be specified in the applicable Issue Terms, and general risks applicable to the stock market (or markets) and capital markets. Securities which are linked to the performance of the Reference Item may not provide for predetermined redemption amounts, settlement amounts and/or interest payments, but amounts payable (whether in respect of principal and/or interest or otherwise) or deliverable will be dependent upon the performance of the Reference Item(s), which itself may contain substantial risks. If the performance of the Reference Item(s) is not in accordance with an investor's expectations this could result in an investor receiving no return and losing the capital that they have invested.

Prospective purchasers of N&C Securities should recognise that their N&C Securities, other than N&C Securities having a minimum redemption amount (subject to comments above as to Issuer and Guarantor solvency and deduction of taxes and expenses), may be worthless on redemption. Purchasers should be prepared to sustain a total loss of the purchase price of their N&C Securities, except, if so indicated in the applicable Issue Terms, to the extent of any minimum redemption attributable to such N&C Securities (again, subject to comments above). This risk reflects the nature of the N&C Securities as an asset which, other factors held constant, tends to decline in value over time and which may become worthless when it is redeemed (except to the extent of any minimum redemption amount subject to adjustments above).

N&C Securities that are linked to a Reference Item may be principal (or capital) protected or non-principal (or capital) protected. Investors in N&C Securities which are not principal (or capital) protected or in Warrants may risk losing their entire investment (including the loss of any transaction costs paid by the investor) if the value of the Reference Item does not move in the anticipated direction. If the N&C Securities are specified in the applicable Issue Terms as having a minimum redemption amount, such N&C Securities are principal (or capital) protected at maturity only and only to such extent. If Securities are redeemed or sold before their scheduled maturity or expiration, they may return less than the minimum redemption amount, the amount invested or even zero. In addition amounts payable may be subject to deductions for taxes or expenses.

Investors should note that certain Securities linked to the performance of the Reference Items may not benefit from a minimum redemption amount or minimum cash settlement amount and investors may receive less than the initial investment amount of the Securities and investors are exposed to the full loss of their investment (including the loss of any transaction costs paid by the investor).

PROSPECTIVE INVESTORS SHOULD NOTE THAT "PRINCIPAL PROTECTION" AND "CAPITAL PROTECTION" FEATURES REMAIN CONTINGENT ON THE ISSUER AND/OR THE GUARANTOR'S ABILITY TO MEET ITS OBLIGATIONS IN FULL. WHERE THE ISSUER AND/OR THE GUARANTOR IS UNABLE TO DO THIS, AN INVESTOR IN A "PRINCIPAL PROTECTED" N&C SECURITY OR A "CAPITAL PROTECTED" N&C SECURITY, WILL NOT RECEIVE BACK ALL OF THE AMOUNT INVESTED IN THE SECURITY AND MAY LOSE ALL OF THEIR INVESTMENT.

Prospective purchasers of Warrants should recognise that their Warrants may expire worthless and should be prepared to sustain a total loss of the purchase price of their Warrants.

Investments in Securities linked to the performance of a Reference Item entail significant risks and may not be appropriate for investors lacking financial expertise. Prospective investors should consult their own financial, tax and legal advisors as to the risks entailed by an investment in such Securities and the suitability of such Securities in light of their particular circumstances and ensure that their acquisition is fully consistent with their financial needs and investment policies, is lawful under the laws of the jurisdiction of their incorporation and/or in which they operate, and is a suitable investment for them to make. The Issuer believes that such Securities should only be purchased by investors that are in a position to

understand the special risks that an investment in these instruments involves, in particular relating to options and derivatives and related transactions, and should be prepared to sustain a total loss of the purchase price of their Securities.

In order to realise a return upon an investment in a Security, it may be necessary that an investor must have correctly anticipated the timing and magnitude of an anticipated increase or the absence of a decrease in the value of the Reference Item(s) relative to the Issue Price, and must also be correct about when any change will occur. If the value of the Reference Item(s) does not increase, or decreases, as the case may be, before such Security is redeemed or settled, part of the investor's investment in such Security may be lost on such redemption or settlement. Other than in respect of N&C Securities which are redeemable prior to the Maturity Date at the option of the Securityholder or Bermudan Style or American Style Warrants, it is likely that the only means by which a Securityholder can realise value from its Securities prior to their Maturity Date or fixed Exercise Date is to sell such Securities at their then market price in the secondary market (if available) (see "*The Issuer and the Guarantor cannot assure a trading market for the Securities will ever develop or be maintained*" above). Assuming all other factors are held constant, the more a Warrant is "out-of-the-money" and the shorter its remaining term to expiration, the greater the risk that purchasers of such Warrants will lose all or part of their investment.

Furthermore, the value of the Reference Item(s) may be observed for valuation purposes at a particular time(s) on a particular day(s). Markets in Reference Items may move significantly in very short periods of time. As such prospective purchasers should be aware that the value observed for the Reference Item may not reflect the value of the Reference Item which has prevailed at other times on the relevant valuation day or in the period immediately preceding such day. For example, this may occur if the valuation time falls at any time during a "Flash Crash", similar in nature to that which occurred on the New York Stock Exchange on 6 May 2010, in which the relevant market moves significantly downwards before subsequently correcting shortly afterwards. Whilst the terms of the Securities may include provisions to allow postponement of valuation in the event of certain disruptions in the market, not all significant market movements will be covered by these provisions. Reference Item prices at the opening or closing of relevant markets may also be particularly volatile as traditionally many trades are executed at such time. This may itself have an effect on the Reference Item prices and consequently the Securities.

In addition, the value of any Reference Item may depend on a number of interrelated factors, including economic, financial and political events in one or more jurisdictions, including factors affecting capital markets generally and the stock exchange(s) on which any Reference Item may be traded.

If the formula used to determine any amounts payable in respect of the Securities contains a multiplier or leverage factor, the effect of any fluctuation in the value of the Reference Items to which the Securities are linked or indexed will be magnified. In recent years, values of certain equities, bonds, notes or other financial instruments, indices and formulae have been volatile and such volatility may be expected in the future. However, past experience is not necessarily indicative of what may occur in the future. The historical experience of the Reference Items should not be taken as an indication of future performance of such Reference Items during the term of such Security.

The price at which a Securityholder will be able to sell Securities prior to maturity or exercise may be at a discount, which could be substantial, to the market value of such Securities on the Issue Date, if, at such time, the market price of the Reference Item(s) is below, equal to or not sufficiently above the market price of the Reference Item(s) on the Issue Date. The historical market prices of any Reference Item should not be taken as an indication of such Reference Item's future performance during the term of any Security.

Additionally, there may be regulatory and other ramifications associated with the ownership by certain investors of Securities linked to certain Reference Items or to the potential holding of such Relevant Asset, where Physical Delivery Securities are envisaged pursuant to the applicable Pricing Supplement. Each purchaser of Securities must conduct its own investigation into its regulatory position with respect to the potential purchase of Securities, and none of the Issuer, the Guarantor, the Dealer or the Calculation Agent assumes any obligation or liability whatsoever to such purchaser in such regard.

None of the Issuer, Guarantor, Calculation Agent nor any Dealer provide any advice with respect to any Reference Item nor make any representation as to its quality, credit or otherwise, and investors in the Securities must rely on their own sources of analysis, including credit analysis with respect to any Reference Item. No investigation or review of the

Reference Items, including, without limitation, any public filings made by the issuer or obligor of the Reference Items, has been made by the Issuer or any of its Affiliates for the purposes of forming a view as to the merits of an investment linked to the Reference Items. Nor is any guarantee or express or implied warranty made in respect of the selection of the Reference Items or is any assurance or guarantee given as to the performance of the Reference Items. Potential investors should not conclude that the sale by the Issuer of the Securities is any form of investment recommendation by it or any of its affiliates.

5.2 ***No Claim against any Reference Item***

A Security will not represent a claim against any Reference Item and, in the event of any loss, a Securityholder will not have recourse under a Security to any Reference Item. The Securities are not in any way sponsored, endorsed or promoted by any issuer, sponsor, manager or other connected person in respect of an underlying Reference Item and such entities have no obligation to take into account the consequences of their actions on any Securityholders.

5.3 ***There are certain risks in Securities that include an averaging feature***

The calculation of the performance of a Reference Item in respect of certain Securities may be based on the average of the price or level or other measure of such Reference Item over two or more Averaging Dates (as applicable). The effect of such averaging may be that the performance of the Reference Item will not increase proportionately if the price or level or other measure of the Reference Item sharply increases towards the end of the term (or temporarily during the term, or towards the end of an initial valuation period, as applicable). Accordingly, the effect of the averaging feature may be to lead to a reduced performance (and therefore a reduced return on the relevant Securities) as compared to the position where the performance of the Reference Item is measured on a single valuation date. On the other hand, a temporary decrease of price or level or other measure of the Reference Item will also not lead to a proportionate decrease of the performance of the Reference Item if the price or level or other measure of the Reference Item has been correspondingly higher on the remaining initial Averaging Dates or Averaging Dates (as applicable).

5.4 ***Risks relating to Equity Linked Securities***

The Issuer may issue Equity Linked Securities where the amount of principal and/or interest or the settlement amount payable are dependent upon the price of or changes in the price of equity securities or a basket of equity securities and/or whether the price of equity securities or a basket of equity securities is equal to, above or below one or more specified levels or where, depending on the price of or change in the price of equity securities or the basket of equity securities and/or whether the price of equity securities or a basket of equity securities is equal to, above or below one or more specified levels, on redemption, settlement or cancellation, the Issuer's obligation is to deliver specified assets. Equity securities may include depositary receipts.

If the amount of principal and/or interest or the settlement amount payable are determined by reference to the least performing equity security in a basket of equity securities, then investors will not receive any benefit from the better performing equity security(ies) in the basket.

Potential investors in Equity Linked Securities should be aware that, depending on the terms of the Equity Linked Securities, (i) they may receive no interest or a limited amount of interest, (ii) a change in the price of the equity security(ies) may result in an early redemption or cancellation of their Securities (iii) payment of principal, settlement amount or interest or delivery of any specified assets may occur at a different time than expected, and (iv) they may lose all or a substantial portion of their investment. In addition, the movements in the price of the equity security or basket of equity securities may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices, and the timing of changes in the relevant price of the equity security or equity securities may affect the actual yield to investors, even if the average level is consistent with their expectations.

In the case of Equity Linked Securities following the declaration by the Share Company (as defined in the Equity Linked Conditions) of the terms of any Potential Adjustment Event (as defined in the Equity Linked Conditions), the Calculation Agent will, acting in good faith and in a commercially reasonable manner, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares and, if so, will (i) make the corresponding adjustment, if any, to any of the terms of the relevant Conditions and/or the applicable Issue Terms as the Calculation

Agent acting in good faith and in a commercially reasonable manner determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and (ii) determine the effective date of that adjustment. Such adjustment may have an adverse effect on the value and liquidity of the affected Equity Linked Securities.

Equity Linked Securities may also be subject to certain disruption provisions. In particular, the Calculation Agent may determine that an event giving rise to a Disrupted Day (as defined in the Equity Linked Conditions) has occurred at any relevant time. Any such determination may have an effect on the timing of valuation, and consequently the value of the Equity Linked Securities, and/or may delay settlement in respect of the Securities. In addition certain extraordinary events may lead to early redemption of the Securities or to a change in the composition of the basket of equities (where applicable) in accordance with the criteria specified in the Equity Linked Conditions and such an event may have an adverse effect on the value of the Securities. Whether and how such provisions apply to the relevant Securities can be ascertained by reading the Equity Linked Conditions in conjunction with the applicable Issue Terms.

If the amount of principal and/or interest and/or the settlement amount payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the price of the equity security or equity securities on principal or interest payable will be magnified.

A holder of the Securities will not be a beneficial owner of the underlying equity securities and therefore will not be entitled to receive any dividends or similar amounts paid on the underlying equity securities, nor will a Securityholder be entitled to purchase the underlying equity securities by virtue of their ownership of the Securities. Moreover, holders of the Securities will not be entitled to any voting rights or other control rights that holders of the underlying equity securities may have with respect to the issuer of such underlying equity securities. Unless otherwise specified in the applicable Issue Terms, the Interest Amount and/or Final Redemption Amount, and/or Cash Settlement Amount will not reflect the payment of any dividends on the underlying equity securities. Accordingly, the return on the Securities will not reflect the return an investor would realise if it actually owned the underlying equity securities and received dividends, if any, paid on those securities. Therefore, the yield to maturity based on the methodology for calculating the Final Redemption Amount (in the case of N&C Securities) will not be the same yield as would be produced if the underlying equity securities were purchased directly and held for a similar period.

Where the Exempt Securities provide for physical delivery:

- the Calculation Agent may determine that a Settlement Disruption Event is subsisting. A Settlement Disruption Event is an event beyond the control of the Issuer as a result of which, in the opinion of the Calculation Agent, the Issuer cannot make delivery of the specified assets. Any such determination may affect the value of the Securities and/or may delay settlement in respect of the Securities; and

- in the event that a Securityholder does not deliver a valid Asset Transfer Notice as contemplated in the Equity Linked Conditions (in the case of N&C Securities) or the Warrant Conditions (in the case of Warrants), the Issuer may, but is not required to, elect to deliver to the relevant Clearance System(s) the aggregate Asset Amount in respect of such N&C Securities or Entitlement in respect of such Warrants, to be divided between and delivered to the relevant Securityholders by the relevant Clearance System(s) in accordance with the rules of the relevant Clearance System(s) but no assurance is given as to the effect of such rules or other Clearance System practices for any such Securityholders.

The market price of Equity Linked Securities may be volatile and may be affected by the time remaining to the maturity date or expiration, the volatility of the equity security or equity securities, the dividend rate (if any) and the financial results and prospects of the issuer or issuers of the relevant equity security or equity securities as well as economic, financial and political events in one or more jurisdictions, including factors affecting the stock exchange(s) or quotation system(s) on which any such securities may be traded.

No Share Company or Basket Company (as such terms are defined in the Equity Linked Conditions) will have participated in the preparation of the relevant Issue Terms or in establishing the terms of the Equity Linked Securities and none of the Issuer, the Guarantor or any Dealer will be required to make any investigation or enquiry in connection with such offering with respect to any information concerning any such Share Company or Basket Company contained in such Issue Terms or

in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the relevant issue date (including events that would affect the accuracy or completeness of the publicly available information described in this paragraph or in any relevant Issue Terms) that would affect the trading price of the share or depositary receipt (where applicable) will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such a Share Company or Basket Company could affect the trading price of the share or depositary receipt (where applicable) and therefore the trading price of the Securities.

The Issuer may vary the manner in which a particular series of Exempt Securities are redeemed or exercised, if specified in the applicable Issue Terms. The Issuer may, acting in good faith and in a commercially reasonable manner, elect not to pay the relevant Securityholders the Final Redemption Amount or Cash Settlement Amount or to deliver or procure delivery of the relevant Asset Amount or Entitlement, to the relevant Securityholders, as the case may be, and in lieu thereof, deliver or procure the delivery of the relevant Asset Amount or Entitlement or make payment of the Early Redemption Amount or Early Cancellation Amount to the relevant Securityholders. For N&C Securities see Equity Linked Condition 12 (*Variation of Settlement*) and for Warrants see Warrant Condition 4.4 (*Issuer's Option to Vary Settlement*) herein.

5.5 ***Risks relating to Equity Index Linked Securities***

The Issuer may issue Equity Index Linked Securities where the amount of principal and/or interest or the settlement amount payable are dependent upon the level of an equity index or equity indices and/or by whether that level is equal to, above or below one or more specified levels. If the amount of principal and/or interest or the settlement amount payable are determined by reference to the least performing equity index in a basket of equity indices, then investors will not receive any benefit from the better performing equity index/equity indices in the basket.

Potential investors in any such Securities should be aware that, depending on the terms of the Equity Index Linked Securities, (i) they may receive no interest or a limited amount of interest, (ii) a change in the value of the equity index/equity indices may result in an early redemption or cancellation of their Securities, (iii) payment of principal, settlement amounts or interest may occur at a different time than expected, and (iv) they may lose all or a substantial portion of their investment. In addition, the movements in the level of the index or indices may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices, and the timing of changes in the relevant level of the index or indices may affect the actual return to investors, even if the average level is consistent with their expectations

Equity Index Linked Securities may be subject to certain disruption provisions. In particular, the Calculation Agent may determine that an event giving rise to a Disrupted Day (as defined in the Equity Index/ETF Linked Conditions) has occurred at any relevant time. Any such determination may have an effect on the timing of valuation, and consequently the value of the Securities, and/or may delay settlement in respect of the Securities. In addition certain extraordinary events may lead to early termination of the Securities and such an event may have an adverse effect on the value of the Securities. Whether and how such provisions apply to the Securities can be ascertained by reading the Equity Linked Index Conditions in conjunction with the applicable Issue Terms.

If the amount of principal and/or interest payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the level of the index or the indices on principal or interest payable will be magnified.

The market price of Equity Index Linked Securities may be volatile and may depend on the time remaining to the maturity date and the volatility of the level of the index or indices. The level of the index or indices may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which any securities comprising the index or indices may be traded.

5.6 ***Currency Risk in Securities and Reference Items generally***

(a) *There is generally foreign exchange currency exposure in respect of Securities which provide for payment to be made in a currency which is different to the currency of the Reference Item(s)*

Where the terms and conditions of the Securities provide that payment under such Securities will be made in a currency which is different from the currency of the Reference Item, and such Securities do not have a "quanto" feature (i.e. the Securities themselves take no account of currency rate movements or otherwise hedge the currency risk), there are additional risks. Holders of such Securities may be exposed not only to the performance of the Reference Item but also to the performance of such foreign currency, which cannot be predicted. Investors should be aware that foreign exchange rates are, and have been, highly volatile and determined by supply and demand for currencies in the international foreign exchange markets, which are subject to economic factors, including inflation rates in the countries concerned, interest rate differences between the respective countries, economic forecasts, international political factors, currency convertibility and safety of making financial investments in the currency concerned, speculation and measures taken by governments and central banks (e.g., imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by devaluation or revaluation of a currency or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates and the availability of a specified currency). Foreign exchange fluctuations between a Securityholder's home currency and the relevant currency in which the repayment amount of the Securities is denominated may affect investors who intend to convert gains or losses from the exercise or sale of Securities into their home currency.

(b) *There are risks relating to currency-protected or "quanto" Securities which provide for payment to be made in a currency which is different to the currency of the Reference Item(s)*

If one or more Reference Items are not denominated in the currency of the Securities and at the same time only the performance of the Reference Item(s) in their denominated currency is relevant to the payout on the Securities, such Securities are referred to as currency-protected Securities or Securities with a "quanto" feature. Under such feature, the investment return of the Securities depends only on the performance of the Reference Item(s) (in the relevant currency) and any change in the rate of exchange between the currency of the Reference Item(s) and the Securities is disregarded. Accordingly, the application of a "quanto" feature means that Securityholders will not have the benefit of any change in the rate of exchange between the currency of the Reference Item(s) and the Securities that would otherwise increase the performance of the Reference Item(s) in the absence of such "quanto" feature. In addition, changes in the relevant exchange rate may indirectly influence the price of the Reference Item(s) which, in turn, could have a negative effect on the return on the Securities.

5.7 ***Risks relating to ETF Linked Securities***

The Issuer may issue Securities where the amount of principal and/or interest or the settlement amount payable are dependent upon the price or changes in the price of units or shares in an exchange traded fund ("**ETF**") or ETFs and/or whether the price of units or shares in an ETF or ETFs is equal to, above or below one or more specified levels or where, depending on the price or changes in the price of units or shares in such ETF or ETFs and/or whether the price of units or shares in an ETF or ETFs is equal to, above or below one or more specified levels, on redemption the Issuer's obligation is to deliver specified assets ("**ETF Linked Securities**").

If the amount of principal and/or interest or the settlement amount payable are determined by reference to the least performing ETF in a basket of ETFs, then investors will not receive any benefit from the better performing ETF(s) in the basket.

Potential investors in ETF Linked Securities should be aware that, depending on the terms of the ETF Linked Securities, (i) they may receive no interest or a limited amount of interest, (ii) a change in the value of the ETF/ETFs may result in an early redemption or cancellation of their Securities, (iii) payment of principal or interest or the settlement amount or delivery of any specified assets may occur at a different time than expected, and (iv) they may lose all or a substantial portion of their investment. In addition, the movements in the price of units or shares in the ETF or ETFs may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices, and the timing of changes in the relevant price of the units or shares in the ETF or ETFs may affect the actual return to investors, even if the average level is consistent with their expectations. In addition, the ETF interests may be illiquid and this may adversely affect returns (if any) on the Securities.

ETF Linked Securities may be subject to certain disruption provisions or extraordinary event provisions. Relevant events may relate to market disruptions, or other extraordinary events in relation to the relevant ETF or ETFs and/or the

corresponding underlying Index. If the Calculation Agent determines that any such event has occurred this may delay valuations under and/or settlements in respect of the Securities and consequently adversely affect the value of the Securities. In addition certain extraordinary or disruption events may lead to early termination of the Securities which may have an adverse effect on the value of such Securities. Whether and how such provisions apply to the relevant Securities can be ascertained by reading the ETF Linked Conditions in conjunction with the applicable Issue Terms.

If the amount of principal, interest or the settlement amount payable is determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the price of the units or shares of the ETF or ETFs on principal or interest payable will be magnified.

The market price of ETF Linked Securities may be volatile and may depend on the time remaining to the maturity date or expiration and the volatility of the price of units or shares in the ETF or ETFs. The price of units or shares in an ETF may be affected by the economic, financial and political events in one or more jurisdictions, including factors affecting the exchange(s) or quotation system(s) (if any) on which any units in the ETF or ETFs may be traded.

ETF units may be speculative and involve a high degree of risk. Neither the Issuer nor the Guarantor gives any assurance as to the performance of ETF units. Even if the Issuer or any of its affiliates may have arrangements with a ETF manager to obtain information required to calculate the value of the ETF, it may not have access to the activities of the ETF on a continuous basis.

The underlying ETFs may have recourse to leverage, i.e., borrow amounts that represent more than 100.00 per cent. of the value of their assets to invest further in assets that involve further risks. Accordingly, a small downward movement in the value of an ETFs assets may result in a significantly larger loss of the fund.

ETF managers may be eligible to earn incentive compensation. The potential for a ETF manager to earn performance based compensation may encourage such ETF manager to trade in a more speculative manner than it otherwise would.

ETF managers (including a manager that is affiliated with the Issuer) do not have any obligations to the Securityholders, or other role in connection with, the Securities, including any obligation to take the needs of the Securityholders into consideration for any reason. ETF managers are not responsible for, and have not endorsed or participated in, the offering, placement, sale, purchase or transfer of the Securities. The ETF's managers are not responsible for, and will not participate in, the determination or calculation of the amounts receivable by Securityholders.

Changes to the current regulatory environment could affect the investment, operations and structure of the underlying ETFs and could adversely affect the performance of the underlying ETFs. The underlying ETFs may invest in assets that involve further risks.

Fees, deductions and charges may reduce the amount of principal and/or interest or settlement amount payable under the Securities. ETF fees will be deducted from the net asset value of the ETF, reducing the value of the ETF units. Accordingly, to the extent that the amount of principal and/or interest or settlement amount payable under the Securities is linked to the net asset value of an ETF, the relevant amount(s) payable to Securityholders will be less than it would have been absent these fees, deductions and charges, but the Issuer or one of its affiliates may be the beneficiary of such fees or obtain rebate on such fees from third parties.

There are numerous additional risks relating to Securities linked to ETFs. For all of the above reasons, investing directly or indirectly in ETFs is generally considered to be risky. If the underlying ETF does not perform sufficiently well, the value of the Securities will fall and may in certain circumstances be zero.

Prospective investors should review carefully the prospectus, information memorandum and/or offering circular (if any) issued by the relevant ETF prior to purchasing any Securities. None of the Issuer, the Guarantor, any Dealer or the Calculation Agent provides any assurance as to the creditworthiness of any relevant ETF or any such ETF's administrator, custodian, investment manager or adviser or in respect of any prospectus, information memorandum and/or offering circular (if any) issued by any relevant ETF.

5.8 ***Risks relating to Inflation Linked Securities***

The Issuer may issue Inflation Linked Securities where the amount of principal and/or interest or the settlement amount payable are dependent upon the level of an inflation/consumer price index or indices and/or whether the level of inflation/consumer price index or indices is equal to, above or below one or more specified levels.

If the amount of principal and/or interest or the settlement amount payable are determined by reference to the least performing inflation/consumer price index in a basket of inflation/consumer price indices, then investors will not receive any benefit from the better performing inflation/consumer price indices in the basket.

Potential investors in any such Securities should be aware that depending on the terms of the Inflation Linked Securities (i) they may receive no interest or a limited amount of interest, (ii) a change in the value of the inflation/consumer price index/indices may result in an early redemption or cancellation of their Securities, (iii) payment of principal, interest or the settlement amount may occur at a different time than expected and (iv) they may lose all or a substantial portion of their investment. In addition, the movements in the level of the inflation/consumer price index or indices may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant level of the index or indices may affect the actual return to investors, even if the average level is consistent with their expectations.

Inflation Linked Securities may be subject to certain disruption provisions or extraordinary event provisions. Relevant events may relate to market disruptions, or other extraordinary events in relation to the relevant level of inflation/consumer price index or indices. If the Calculation Agent determines that any such event has occurred this may delay valuations under and/or settlements in respect of the Securities and consequently adversely affect the value of the Securities. In addition certain extraordinary or disruption events may lead to early termination of the Securities which may have an adverse effect on the value of the Securities. Whether and how such provisions apply to the relevant Securities can be ascertained by reading the Inflation Linked Conditions in conjunction with the applicable Issue Terms.

If the amount of principal and/or interest or the settlement amount payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the level of the inflation/consumer price index or the indices on principal or interest payable will be magnified.

A relevant consumer price index or other formula linked to a measure of inflation to which the Securities are linked may be subject to significant fluctuations that may not correlate with other indices. Any movement in the level of the index may result in a reduction of the interest payable on the N&C Securities (if applicable) or, in the case of Securities with a redemption amount or settlement amount linked to inflation, in a reduction of the amount payable on redemption or settlement which in some cases could be less than the amount originally invested or zero.

The timing of changes in the relevant consumer price index or other formula linked to the measure of inflation comprising the relevant index or indices may affect the actual yield to investors on the Securities, even if the average level is consistent with their expectations.

An index to which interest payments and/or the redemption amount or settlement amount of Inflation Linked Securities are linked is only one measure of inflation for the relevant jurisdiction, and such Index may not correlate perfectly with the rate of inflation experienced by Securityholders in such jurisdiction.

The market price of Inflation Linked Securities may be volatile and may depend on the time remaining to the maturity date or expiration and the volatility of the level of the index or indices. The level of the inflation/consumer price index or indices may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which any securities comprising the inflation/consumer price index or indices may be traded.

5.9 ***Risks relating to Property Index Linked Securities***

The Issuer may issue Property Linked Securities where the amount of principal and/or interest or the settlement amount payable are dependent upon the level of a property index or indices and/or whether the level of property index or property indices is equal to, above or below one or more specified levels.

If the amount of principal and/or interest or the settlement amount payable are determined by reference to the worst performing property index in a basket of property indices, then investors will not receive any benefit from the better performing property indices in the basket.

Potential investors in any such Securities should be aware that depending on the terms of the Property Linked Securities (i) they may receive no interest or a limited amount of interest, (ii) a change in the value of the property index/indices may result in an early redemption or cancellation of their Securities, (iii) payment of principal, interest or the settlement amount occur at a different time than expected and (iv) they may lose all or a substantial portion of their investment. In addition, the movements in the level of the property index or indices may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant level of the index or indices may affect the actual return to investors, even if the average level is consistent with their expectations.

Property Linked Securities may be subject to certain disruption provisions or extraordinary event provisions. Relevant events may relate to market disruptions, or other extraordinary events in relation to the relevant property index or indices. If the Calculation Agent determines that any such event has occurred this may delay valuations under and/or settlements in respect of the Securities and consequently adversely affect the value of the Securities which may have an adverse effect on the value of the Securities. In addition certain extraordinary or disruption events may lead to early termination of the Securities. Whether and how such provisions apply to the relevant Securities can be ascertained by reading the Property Linked Conditions in conjunction with the applicable Issue Terms.

If the amount of principal and/or interest or the settlement amount payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the level of the property index or the indices on principal or interest payable will be magnified.

The market price of Property Linked Securities may be volatile and may depend on the time remaining to the maturity date and the volatility of the level of the index or indices. The level of the property index or indices may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which any securities comprising the property index or indices may be traded.

5.10 ***Risks relating to Dual Currency N&C Securities***

Investment in Dual Currency N&C Securities may be negatively affected by changes in exchange rates and exchange controls

With respect to an investment in Dual Currency N&C Securities that are denominated and/or payable in a Specified Currency, there will be significant risks associated with such an investment, including the possibility of material changes in the exchange controls by the applicable governments. The Issuer and the Guarantor have no control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for the applicable currencies. Moreover, if payments on Dual Currency N&C Securities are determined by reference to a formula containing a multiplier or leverage factor, the effect of any change in the exchange rates between the applicable currencies will be magnified. In recent years, exchange rates between certain currencies have been highly volatile and volatility between such currencies or with other currencies may be expected in the future. Fluctuations between currencies in the past are not necessarily indicative, however, of fluctuations that may occur in the future. Depreciation of the payment currency would result in a decrease in the equivalent yield of the Dual Currency N&C Securities, in the equivalent value of the principal generally, and in the equivalent market value of the Dual Currency N&C Securities. Governmental exchange controls could affect exchange rates and the availability of the payment currency on a required payment date. Even if there are no exchange controls, it is possible that the payment currency will not be available on a required payment date due to circumstances beyond the Issuer's or the Guarantor's control.

6. Risk factors relating to the Issuer, the Guarantor and the Group

6.1 *The Group's operating results, financial condition and prospects may be materially impacted by economic conditions in the UK*

The Group's business activities are concentrated in the UK and on the offering of mortgage, loan, deposits, banking and savings-related products and services to retail and corporate customers. As a consequence, the Group's operating results, financial condition and prospects are significantly affected by economic conditions in the UK generally.

The UK economy has shown stronger signs of recovery in 2013 than generally anticipated previously, with the outlook for GDP growth in 2013 as a whole being revised upward by the UK Office for Budget Responsibility from 0.6 per cent to 1.4 per cent.

While consumer confidence, credit conditions and the housing market have improved, productivity and real earnings growth have remained weak despite higher employment and lower unemployment than forecast. The outlook for productivity growth remains the key uncertainty for the UK economic prospects for the coming years.

Uncertainty surrounding the future of the eurozone is less acute than before, but slow growth increase may pose a risk of a further slowdown in the UK's principal export markets which would have an adverse effect on the broader UK economy.

Adverse changes in the credit quality of the Group's borrowers and counterparties or a general deterioration in UK or global economic conditions could reduce the recoverability and value of the Group's assets and require an increase in the Group's level of provisions for bad and doubtful debts. Likewise, a significant reduction in the demand for the Group's products and services could negatively impact its business and financial condition. UK economic conditions and uncertainties may have an adverse effect on the quality of the Group's loan portfolio and may result in a rise in delinquency and default rates. There can be no assurance that the Group will not have to increase its provisions for loan losses in the future as a result of increases in non-performing loans or for other reasons beyond its control. Material increases in the Group's provisions for loan losses and write-offs/charge-offs could have an adverse effect on its operating results, financial condition and prospects.

As in several other economies, the UK Government has taken measures to address the exceptionally high level of national debt, including tax increases and public spending cuts. These measures have contributed to a slower recovery than other recent recessions. Credit quality could be adversely affected by a renewed increase in unemployment. Any related significant reduction in the demand for the Group's products and services, could have a material adverse effect on its operating results, financial condition and prospects.

6.2 *The Group is vulnerable disruptions and volatility in the global financial markets*

In the past six years, financial systems worldwide have experienced difficult credit and liquidity conditions and disruptions leading to less liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency on interbank lending rates. Global economic conditions deteriorated significantly between 2007 and 2009, and many countries, including the United Kingdom, have been in recession. Many major financial institutions, including some of the world's largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies experienced significant difficulties. Around the world, there were runs on deposits at several financial institutions, numerous institutions sought additional capital or were assisted by central banks and governments providing liquidity, whilst many lenders and institutional investors reduced or ceased providing funding to borrowers (including to other financial institutions). The global economic slowdown and the downturn in the UK in particular had a negative impact on the UK economy and adversely affected the Group's business.

In particular, the Group may face, among others, the following risks related to the economic downturn:

- Increased regulation of the Group's industry. Compliance with such regulation may increase the Group's costs, may affect the pricing for its products and services, and limit its ability to pursue business opportunities.

- Reduced demand for the Group's products and services.
- Inability of the Group's borrowers to comply fully or in a timely manner with their existing obligations.
- The process the Group uses to estimate losses inherent in its credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of the Group's borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of the Group's estimates, which may, in turn, impact the reliability of the process and the sufficiency of its loan loss allowances.
- The value and liquidity of the portfolio of investment securities that the Group holds may be adversely affected.
- Any worsening of the global economic conditions may delay the recovery of the international financial industry and impact the Group's operating results, financial condition and prospects.
- Adverse macroeconomic shocks may negatively impact the household income of our retail customers and may advesrsely affect the recoverability of our retail loans, resulting in increased loan losses.

Despite recent improvements in certain segments of the global economy, uncertainty remains concerning the future economic environment. There can be no assurance that economic conditions in these segments will continue to improve or that the global economic condition as a whole will improve significantly. Such economic uncertainty could have a negative impact on its' business and results of operations. A slowing or failing of the economic recovery would likely aggravate the adverse effects of these difficult economic and market conditions on the Group and on others in the financial services industry.

Continued or worsening disruption and volatility in the global financial markets could have a material adverse effect on the Group, including its ability to access capital and liquidity on financial terms acceptable to it, if at all. If capital markets financing ceases to become available, or becomes excessively expensive, the Group may be forced to raise the rates it pays on deposits to attract more customers and become unable to maintain certain liability maturities. Any such increase in capital markets funding costs or deposit rates could have a material adverse effect on the Group's interest margins and liquidity.

If all or some of the foregoing risks were to materialise, this could have a material adverse effect on the Group.

6.3 ***The Group is subject to regulatory capital and leverage requirements that could limit its operations, and changes to these requirements may further limit and adversely affect its operating results, financial condition and prospects***

The Group is subject to capital adequacy requirements applicable to banks and adopted by the Prudential Regulation Authority ("**PRA**") which provide for a minimum ratio of total capital to risk-adjusted assets both on a consolidated basis and on a solo-consolidated basis, (the basis used by the PRA solely for the purpose of the calculation of capital resources and capital resources requirements, which measure the capital of Santander UK and certain subsidiaries) and in 2013 included a minimum ratio of Core Tier 1 capital to risk-adjusted assets on a consolidated basis. From 2014 the Group will be subject to a minimum of Common Equity Tier 1 capital to risk-adjusted assets, Tier 1 capital to risk-adjusted assets and total capital to risk-adjusted assets both on a consolidated basis and on a solo-consolidated basis. Any failure by the Group to maintain its ratios may result in administrative actions or sanctions which may affect its ability to fulfil its obligations.

In response to the recent financial crisis, the Financial Services Authority ("**FSA**", and following 1 April 2013, the PRA) imposed more stringent capital adequacy requirements. For instance, the FSA adopted a supervisory approach in relation to certain UK banks, including the Group, under which those banks were expected to maintain Core Tier 1 capital in excess of the minimum levels required by the then existing rules and guidance of the FSA. The PRA has continued to impose such higher capital requirements and the Group has been required to hold Core Tier 1 capital reserves equivalent to at least 7 per cent. of the Group's risk-weighted assets.

In December 2010, the Basel Committee on Banking Supervision (the "**Basel Committee**") proposed comprehensive changes to the capital adequacy framework, known as Basel III. A revised version of these proposals was issued in June

2011. The reforms to the regulatory capital framework were proposed to raise the resilience of the banking sector, through increasing both the quality and quantity of the regulatory capital base and enhancing the risk coverage of the capital framework. As part of these reforms, the amount and quality of Tier 1 capital that institutions are required to hold was raised, innovative Tier 1 capital instruments with an incentive to redeem were to be phased out and the rules for determining Tier 2 capital instruments were to be harmonised. Basel III also required institutions to build counter-cyclical capital buffers that could be drawn upon in stress periods and to hold a capital conservation buffer above minimum capital ratio levels, which have the effect of raising the minimum level of tangible common equity capital from 2 per cent to 7 per cent of risk-weighted assets. In addition a leverage ratio was proposed for institutions as a backstop, which would be applied alongside current risk-based regulatory capital requirements. The Basel Committee has also proposed introducing additional capital requirements for systemically important institutions from 2016.

The implementation of Basel III in the European Union is being performed through the Capital Requirements Directive IV and the Capital Requirements Regulation ("**CRDIV**") legislative package. CRDIV was published in the Official Journal on 27 June 2013 and came into effect on 1 January 2014. CRDIV substantially reflects the Basel III capital and liquidity standards and facilitates the applicable implementation timeframes. However, certain issues continue to remain under discussion and certain details remain to be clarified in further binding technical standards to be issued by the European Banking Authority. On 2 August 2013, the PRA issued a consultation paper on its proposals for the implementation of CRDIV in the UK, including its proposed approaches to discretions and derogations which have been included in the regulation. This consultation closed on 2 October 2013. On 19 December 2013, the PRA published its rules and supervisory statements associated with the implementation of CRDIV, which cover prudential rules for banks, building societies and investment firms. In addition, the PRA is requiring major banks and building societies to maintain a 3% Tier 1 leverage ratio – after taking into account adjustments to Common Equity Tier 1 capital deemed necessary by the PRA – from the start of 2014. In future, the PRA may impose further higher capital requirements and also target capital ratios as part of the implementation of UK macro-prudential capital regulation tools.

In addition to Basel III and CRDIV, regulators in the UK and world-wide have produced a range of proposals for future legislative and regulatory changes which could force the Group to comply with certain operational restrictions or take steps to raise further capital, or could increase the Group's expenses, or otherwise adversely affect the Group's operating results, financial condition and prospects. These include:

- the introduction of recovery and resolution planning requirements (popularly known as 'living wills') for banks and other financial institutions as contingency planning for the failure of a financial institution that may affect the stability of the financial system, as set out in the PRA's final rules on recovery and resolution planning which came into force on 1 January 2014;
- the introduction of more regular and detailed reporting obligations;
- a move to pre-funding of the deposit protection scheme in the UK; and
- proposed revisions to the approaches for determining trading book capital requirements and banking book risk-weighted assets from the Basel Committee.

These measures could have a material adverse effect on the Group's operating results, and consequentially, on its financial condition and prospects. There is a risk that changes to the UK's capital adequacy regime (including any introduction of a minimum leverage ratio) may result in increased minimum capital requirements, which could reduce available capital for business purposes and thereby adversely affect the Group's profitability and its ability to pay dividends, continue organic growth (including increased lending), or pursue acquisitions or other strategic opportunities (alternatively the Group could restructure its balance sheet to reduce the capital charges incurred pursuant to the PRA's rules in relation to the assets held, or raise additional capital but at increased cost and subject to prevailing market conditions). In addition, changes to the eligibility criteria for Tier 1 and Tier 2 capital may affect the Group's ability to raise Tier 1 and Tier 2 capital and impact the recognition of existing Tier 1 and Tier 2 capital resources in the calculation of the Group's capital position.

The Group's business could be affected if its capital is not managed effectively or if these measures limit the Group's ability to manage its balance sheet and capital resources effectively or to access funding on commercially acceptable terms. Effective management of the Group's capital position is important to its ability to operate its business, to continue to grow organically and to pursue the Group's business strategy.

6.4 ***The Group is subject to liquidity requirements that could limit its operations, and changes to these requirements may further limit and adversely affect its operating results, financial condition and prospects***

On 5 October 2009, the FSA published liquidity rules which significantly broadened the scope of the existing liquidity regime. These were designed to enhance regulated firms' liquidity risk management practices. As part of these reforms, the FSA implemented requirements for financial institutions to hold prescribed levels of specified liquid assets and have in place other sources of liquidity to address the institution-specific and market-wide liquidity risks that institutions may face in short-term and prolonged stress scenarios. These rules have applied to Santander UK since June 2010 with some subsequent technical revisions.

In addition to the changes to the capital adequacy framework published in December 2010 described above, the Basel Committee also published its global quantitative liquidity framework, comprising the Liquidity Coverage Ratio ("**LCR**") and Net Stable Funding Ratio ("**NSFR**") metrics, with objectives to (1) promote the short-term resilience of banks' liquidity risk profiles by ensuring they have sufficient high-quality liquid assets to survive a significant stress scenario; and (2) promote resilience over a longer time horizon by creating incentives for banks to fund their activities with more stable sources of funding on an ongoing basis. The LCR was subsequently revised by the Basel Committee in January 2013. These revisions amended the definition of high-quality liquid assets and agreed a revised timetable for phase-in of the standard from 2015 to 2019, as well as making some technical changes to some of the stress scenario assumptions.

As with the Basel Committee's proposed changes to the capital adequacy framework, the Basel III liquidity standards are being implemented within the European Union through the CRDIV / CRR legislative package. As mentioned above, CRDIV / CRR substantially reflects the Basel III liquidity standards and the applicable implementation timeframes. However, various related issues remain under discussion, particularly on the detail of final liquidity and leverage rules. The CRR does not contain provision on the NSFR. The European Commission aims to introduce provisions on the NSFR to come into effect on 1 January 2018.

There is a risk that implementing and maintaining enhanced liquidity risk management systems may incur significant costs, and more stringent requirements to hold liquid assets may materially affect the Group's lending business as more funds may be required to acquire or maintain a liquidity buffer, thereby reducing future profitability.

6.5 ***Exposure to UK Government debt could have a material adverse effect on the Group***

Like many other UK banks, the Group invests in debt securities of the UK Government largely for liquidity purposes. Any failure by the UK Government to make timely payments under the terms of these securities, or a significant decrease in their market value, will have a material adverse effect on the Group.

6.6 ***The Group may suffer adverse effects as a result of the continued economic and sovereign debt tensions in the eurozone***

Eurozone markets and economies continue to show signs of fragility and volatility, with recession in several economies and only sporadic access to capital markets in others. Interest rate differentials among eurozone countries indicate continued doubts about some governments' ability to fund themselves and affect borrowing rates in those economies.

A wide-scale break-up of the eurozone would most likely be associated with a deterioration in the economic and financial environment in the UK and could have a material adverse impact on the whole financial sector, creating new challenges in sovereign and corporate lending and resulting in significant disruptions in financial activities at both the market and retail levels. This could materially and adversely affect the Group's operating results, financial condition and prospects.

The European Central Bank and European Council took action in 2012 and 2013 with the aim of reducing the risk of contagion throughout the eurozone and beyond. These included the creation of the Open Market Transaction facility of the ECB and the decision by eurozone governments to progress towards the creation of a banking union. Nonetheless, a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by eurozone nations which are under severe financial stress. Should any of those nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be destabilised, resulting in the further spread of the ongoing economic crisis.

The continued high cost of capital for some European governments was felt in the wholesale markets in the UK, which has resulted in an increase in the cost of retail funding and greater competition in a savings market that is growing slowly by historical standards. In the absence of a permanent resolution of the eurozone crisis, conditions could deteriorate.

Although the Group conducts the majority of its business in the UK, it has direct and indirect exposure to financial and economic conditions throughout the eurozone economies. In addition, general financial and economic conditions in the UK, which directly affect the Group's operating results, financial condition and prospects, may deteriorate as a result of conditions in the eurozone.

6.7 ***The Group may suffer adverse effects should eurozone member states exit the euro or the euro be totally abandoned***

The departure or risk of departure from the euro by one or more eurozone countries and/or the abandonment of the euro as a currency could have negative effects on both existing contractual relations and the fulfilment of obligations by the Group, its counterparties and/or its customers, which would have a significant negative impact on the Group's activity, operating results, financial condition and prospects. Further, as mentioned above, a wide-scale break-up of the eurozone would most likely be associated with a deterioration in the economic and financial environment in the UK and could have a material adverse impact on the whole financial sector, creating new challenges in sovereign and corporate lending and resulting in significant disruptions in financial activities at both the market and retail levels.

There is currently no established legal framework within the European treaties to facilitate a member state exiting from the euro; consequently, it is not possible to predict the course of events and legal consequences that would ensue. Uncertainties that heighten the risk of re-denomination include how an exiting member state would deal with its existing euro-denominated assets and liabilities, the valuation of any newly-adopted currency against the euro and the process of exiting the euro. These uncertainties make it impossible to predict what the Group's losses might be as a result of any country's decision to exit the euro. The significant upheaval in the eurozone that might arise from any such member state exit, or from the wholesale abandonment of the euro by the eurozone states, could have a material adverse effect on the Group's operating results, financial condition and prospects.

6.8 ***The Group is exposed to risks faced by other financial institutions***

The Group routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual funds, hedge funds and other institutional clients. Defaults by, and even rumours or questions about the solvency of, certain financial institutions and the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by other institutions. Many of the routine transactions that the Group enters into expose it to significant credit risk in the event of default by one of its significant counterparties. The European sovereign debt crisis and the risk it poses to financial institutions throughout Europe have had, and may continue to have, an adverse effect on interbank financial transactions in general. A default by a significant financial counterparty, or liquidity problems in the financial services industry generally, could have a material adverse effect on the Group.

6.9 ***Liquidity and funding risks are inherent in the Group's business and could have a material adverse effect on the Group.***

Liquidity risk is the risk that the Group, although solvent, either do not have available sufficient financial resources to meet its obligations as they fall due or can secure them only at excessive cost. This risk is inherent in any retail and commercial banking business and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. While the Group implements liquidity management processes to seek to mitigate and control these risks, unforeseen systemic market factors in particular make it difficult to eliminate completely these risks. Adverse and continued constraints in the supply of liquidity, including inter-bank lending, has affected and may again materially and adversely affect the cost of funding the Group's business, and extreme liquidity constraints may affect the Group's current operations as well as limit growth possibilities.

Continued or worsening disruption and volatility in the global financial markets could have a material adverse effect on the Group's ability to access capital and liquidity on financial terms acceptable to it. The Group's cost of obtaining funding is directly related to prevailing market interest rates and to its credit spreads. Increases in interest rates and the Group's credit

spreads can significantly increase the cost of its funding. Changes in the Group's credit spreads are market-driven, and may be influenced by market perceptions of its creditworthiness. Changes to interest rates and the Group's credit spreads occur continuously and may be unpredictable and highly volatile.

If wholesale markets financing ceases to become available, or becomes excessively expensive, the Group may be forced to raise the rates it pays on deposits, with a view to attracting more customers, and/or to sell assets, potentially at depressed prices. The persistence or worsening of these adverse market conditions or an increase in base interest rates could have a material adverse effect on the Group's ability to access liquidity and cost of funding (whether directly or indirectly).

Although central banks around the world have made coordinated efforts to increase liquidity in the financial markets, by taking measures such as increasing the amounts they lend directly to financial institutions, lowering interest rates and significantly increasing temporary reciprocal currency arrangements (or swap lines), it is not known how long central bank schemes will continue or on what terms. The Bank of England has implemented the Extended Collateral Term Repo facility ("**ECTR**") which aims to increase liquidity in the market and the Funding for Lending Scheme (the "**FLS**") which aims to reduce cost of funding for participating financial institutions such as the Group. The Bank of England and HM Treasury announced changes to the terms of the FLS extension on 28 November 2013 to re-focus the incentives in the scheme towards supporting business lending in 2014. The FLS extension will continue to allow participants to draw from the scheme from February 2014 until January 2015, but beginning 2014 household lending will no longer generate any additional borrowing allowances. Instead additional allowances will now only reflect lending to businesses in 2014. Any initial borrowing allowances in the FLS extension already earned by household and business lending in 2013 will be unaffected.

The availability of Bank of England facilities for UK financial institutions, to the extent that they provide the Group with access to cheaper and more attractive funding than other sources, reduces the Group's reliance on retail or wholesale markets. To the extent that the Group makes use of Bank of England facilities, any significant reduction or withdrawal of those facilities would increase the Group's funding costs. In addition, other financial institutions who have relied significantly on Government support to meet their funding needs will also need to find alternative sources of funding and, in such a scenario, the Group would expect to face increased competition for funding, particularly retail funding on which the Group relies. This competition could further increase the Group's funding costs and so adversely impact its operating results, financial condition and prospects. The Group's cost of funding could also increase as a result of an increase in interest rates by the Bank of England.

Each of the factors described above – the persistence or worsening of adverse market conditions, and the lack of availability, or withdrawal, of such central bank schemes or an increase in base interest rates - could have a material adverse effect on the Group's ability to access liquidity and cost of funding (whether directly or indirectly).

The Group aims for a funding structure that is consistent with its assets, avoids excessive reliance on short term wholesale funding, attracts enduring commercial deposits and provides diversification in products and tenor. The Group therefore relies, and will continue to rely, on commercial deposits to fund a significant proportion of its lending activities. The ongoing availability of this type of funding is sensitive to a variety of factors outside the Group's control, such as general economic conditions and the confidence of commercial depositors in the economy, in general, and the financial services industry in particular, and the availability and extent of deposit guarantees, as well as competition between banks for deposits. Any of these factors could significantly increase the amount of commercial deposit withdrawals in a short period of time, thereby reducing the Group's ability to access commercial deposit funding on appropriate terms, or at all, in the future.

The Group anticipates that its' customers will continue to make short-term deposits (particularly demand deposits and short-term time deposits), and the Group intends to maintain its' emphasis on the use of banking deposits as a source of funds. The short-term nature of this funding source could cause liquidity problems for the Group in the future if deposits are not made in the volumes it expects or are not renewed. If a substantial number of the Group's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the Group may be materially and adversely affected.

A sudden or unexpected shortage of funds in the banking system could lead to increased funding costs, a reduction in the term of funding instruments or require the Group to liquidate certain assets. If these circumstances were to arise, this could have a material adverse effect on the Group's operating results, financial condition and prospects.

6.10 ***Credit, market and liquidity risk may have an adverse effect on the Group's credit ratings and the Group's cost of funds. A downgrade of the Group's credit rating would likely increase cost of funding, require the Group to post additional collateral or take other actions under some of the Group's derivative contracts and adversely affect the Group's interest margins and results of operations***

Credit ratings can in some instances affect the cost and other terms upon which the Group is able to obtain funding. Credit rating agencies regularly evaluate the Group, and their credit ratings of the Group and its debt in issue are based on a number of factors, including its financial strength and that of the UK economy. Conditions affecting the financial services industry generally and the willingness and ability of the UK Government to provide support to systematically important UK banks.

Any downgrade in the Group's credit ratings could increase its borrowing costs and could require the Group to post additional collateral or take other actions under some of its derivative contracts, and could limit its access to capital markets and adversely affect its commercial business. For example, a credit rating downgrade could adversely affect the Group's ability to sell or market certain of its products, engage in certain longer-term and derivatives transactions and retain its customers, particularly customers who need a minimum rating threshold in order to invest. In addition, under the terms of certain of the Group's derivative contracts, it may be required to maintain a minimum credit rating or otherwise the Group's counterparties may be able to terminate such contracts. Any of these results of a credit rating downgrade could, in turn, reduce the Group's liquidity and have an adverse effect on the Group, including its operating results, financial condition and prospects.

However, while certain potential impacts are contractual and quantifiable, the full consequences of a credit rating downgrade are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade, whether any downgrade of a firm's long-term credit rating precipitates downgrades to its short-term credit rating, and assumptions about the potential behaviours of various customers, investors and counterparties.

Although unsecured and secured funding stresses are included in the Group's stress testing scenarios and a portion of the Group's total liquid assets is held against these risks, it is still the case that a credit ratingdowngrade could have a material adverse effect on the Group. In addition, if certain counterparties terminated derivatives contracts with the Group and it was unable to replace such contracts, its market risk profile could be altered.

Likewise, a downgrade of the UK sovereign credit rating, or the perception that such a downgrade may occur, may have a material adverse effect on the Group's operating results, financial condition, prospects and the marketability and trading value of the Group's securities. This might also impact on the Group's own credit rating, borrowing costs and its ability to secure funding. A UK sovereign credit rating downgrade or the perception that such a downgrade may occur could also have a material effect in depressing consumer confidence, restricting the availability, and increasing the cost, of funding for individuals and companies, further depressing economic activity, increasing unemployment and/or reducing asset prices.

In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that the credit rating agencies will maintain the Group's current credit ratings or outlooks. The Group's failure to maintain favourable credit ratings and outlooks could increase the Group's cost of funding and adversely affect the Group's interest margins, which could have a material negative effect on it.

6.11 ***The Group's financial results are constantly exposed to market risk. The Group is subject to fluctuations in interest rates and other market risks, which may materially and adversely affect it.***

Market risk refers to the probability of variations in the Group's net interest income or in the market value of the Group's assets and liabilities due to volatility of interest rate, exchange rate or equity price. Changes in interest rates affect the following areas, among others, of the Group's business:

- net interest income;
- the volume of loans originated;

- the market value of the Group's securities holdings;
- gains from sales of loans and securities; and
- gains and losses from derivatives.

Variations in short-term interest rates could affect the Group's net interest income, which comprises the majority of its revenue, reducing its growth rate and might even result in losses. When interest rates rise, the Group may be required to pay higher interest on its floating-rate borrowings while interest earned on its fixed-rate assets does not rise as quickly, which could cause profits to grow at a reduced rate or decline in some parts of the Group's portfolio. Interest rate variations could adversely affect the Group, including the Group's net interest income, reducing its growth rate or even resulting in losses. Interest rates are highly sensitive to many factors beyond the Group's control, including increased regulation of the financial sector, monetary policies, domestic and international economic and political conditions and other factors.

Increases in interest rates may reduce the volume of loans the Group originates. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may also reduce the propensity of the Group's customers to prepay or refinance fixed-rate loans, reduce the value of the Group's financial assets and reduce gains or require the Group to record losses on sales of the Group's loans or securities.

If interest rates decrease, although this is likely to reduce the Group's funding costs, it is likely to compress its margin, as well as adversely impacting the income the Group receives arising from its investments in securities and loans with similar maturities, which could have a negative effect on it.

The market value of a security with a fixed interest rate generally decreases when prevailing interest rates rise, which may have an adverse effect on the Group's earnings and financial condition. In addition, the Group may incur costs (which, in turn, will impact the Group's results) as it implements strategies to reduce future interest rate exposure. The market value of an obligation with a floating interest rate can be adversely affected when interest rates increase, due to a lag in the implementation of re-pricing terms or an inability to refinance at lower rates.

The Group is also exposed to foreign exchange rate risk as a result of mismatches between assets and liabilities denominated in different currencies. Fluctuations in the exchange rate between currencies may negatively affect the Group's earnings and value of its assets and securities. The Group's capital is stated in pound sterling and the Group does not fully hedge its capital position against changes in currency exchange rates. Although the Group seeks to hedge most of its currency risk through hedging and purchase of cross-currency swaps, these hedges do not eliminate currency risk and the Group makes no assurance that it will not suffer adverse financial consequences as a result of currency fluctuations. Significant exchange rate volatility and the depreciation of the pound sterling in particular could have an adverse impact on the Group's results of operations and its ability to meet its US dollar and euro-denominated obligations, and could have a material adverse effect on the Group's operating results, financial condition and prospects.

The Group is also exposed to equity price risk in connection with the Group's trading investments in equity securities as part of the Group's normal course of business as a commercial bank. The performance of financial markets may cause changes in the value of the Group's investment and trading portfolios. The volatility of world equity markets due to the continued economic uncertainty and sovereign debt tensions has had a particularly strong impact on the financial sector. Continued volatility may affect the value of the Group's investments in entities in this sector and, depending on their fair value and future recovery expectations, could become a permanent impairment which would be subject to write-offs against the Group's results. To the extent any of these risks materialise, the Group's net interest income or the market value of the Group's assets and liabilities could be adversely affected.

6.12 ***Market conditions have and could result, in material changes, to the estimated fair values of the Group's financial assets. Negative fair value adjustments could have a material adverse effect on the Group's operating results, financial condition and prospects***

In the past six years, financial markets have been subject to significant stress resulting in steep falls in perceived or actual financial asset values, particularly due to volatility in global financial markets and the resulting widening of credit spreads.

The Group has material exposures to securities, loans and other investments that are recorded at fair value and are therefore exposed to potential negative fair value adjustments. Asset valuations in future periods, reflecting then prevailing market conditions, may result in negative changes in the fair values of the Group's financial assets and these may also translate into increased impairments. In addition, the value ultimately realised by the Group on disposal may be lower than the current fair value. Any of these factors could require the Group to record negative fair value adjustments, which may have a material adverse effect on the Group's operating results, financial condition or prospects.

In addition, to the extent that fair values are determined using financial valuation models, such values may be inaccurate or subject to change, as the data used by such models may not be available or may become unavailable due to changes in market conditions, particularly for illiquid assets, and particularly in times of economic instability. In such circumstances, the Group's valuation methodologies require the Group to make assumptions, judgments and estimates in order to establish fair value.

This is a challenging task as reliable assumptions are difficult to make and are inherently uncertain. Moreover, valuation models are complex, making them inherently imperfect predictors of actual results. Any consequential impairments or write-downs could have a material adverse effect on the Group's operating results, financial condition and prospects.

6.13 ***Failure to successfully implement and continue to improve the Group's credit risk management system could materially and adversely affect its business***

As a commercial bank, one of the main types of risks inherent in the Group's business is credit risk. For example, an important feature of the Group's credit risk management system is to employ the Group's own credit rating system to assess the particular risk profile of a customer. This system is primarily generated internally but, in the case of counterparties with a global presence, also builds off the credit assessment assigned by other Group members. As this process involves detailed analyses of the customer or credit risk, taking into account both quantitative and qualitative factors, it is subject to human error. In exercising their judgment, the Group's employees may not always be able to assign an accurate credit rating to a customer or credit risk, which may result in its exposure to higher credit risks than indicated by the Group's risk rating system.

In addition, the Group has been trying to refine its credit policies and guidelines to address potential risks associated with particular industries or types of customers, such as affiliated entities and group customers. However, the Group may not be able to timely detect these risks before they occur, or due to limited tools available to the Group, its employees may not be able to effectively implement them, which may increase its credit risk. Failure to effectively implement, consistently follow or continuously refine the Group's credit risk management system may result in an increase in the level of non-performing loans and a higher risk exposure for the Group, which could have a material adverse effect on it.

6.14 ***The Group is subject to market, operational and other related risks associated with its derivative transactions that could have a material adverse effect on it***

The Group enters into derivative transactions for trading purposes as well as for hedging purposes. The Group is subject to market and operational risks associated with these transactions, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of the counterparty to a particular transaction to perform its obligations thereunder, including providing sufficient collateral). Any downgrade in the Group's ratings could increase its borrowing costs and require the Group to post additional collateral or take other actions under some of its derivative contracts, and could limit the Group's access to capital markets and adversely affect its commercial business.

Market practices and documentation for derivative transactions in the UK may differ from those in other countries. In addition, the execution and performance of these transactions depends on the Group's ability to develop adequate control and administration systems and to hire and retain qualified personnel. Moreover, the Group's ability to adequately monitor, analyse and report derivative transactions continues to depend, to a great extent, on the Group's information technology systems. This factor further increases the risks associated with these transactions and could have a material adverse effect on the Group.

6.15 ***Operational risks, including risks relating to data collection, processing and storage systems are inherent in the Group's business***

The Group's businesses depend on the ability to process a large number of transactions efficiently and accurately, and on its ability to rely on its digital technologies, computer and email services, software and networks, as well as on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. The proper functioning of financial control, accounting or other data collection and processing systems is critical to the Group's businesses and to its ability to compete effectively. Losses can result from inadequate personnel, human error, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. The Group faces the risk that the design of its controls and procedures prove to be inadequate or are circumvented. Although the Group works with its clients, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities and prevent against cyber attacks, it routinely exchanges personal, confidential and proprietary information by electronic means, and it may be the target of attempted cyber attacks. If the Group cannot maintain an effective data collection, management and processing system, it may be materially and adversely affected.

The Group takes protective measures and continuously monitors and develops its systems to protect its technology infrastructure and data from misappropriation or corruption, but its systems, software and networks nevertheless may be vulnerable to unauthorised access, misuse, computer viruses or other malicious code and other events that could have a security impact. An interception, misuse or mishandling of personal, confidential or proprietary information sent to or received from a client, vendor, service provider, counterparty or third party could result in legal liability, regulatory action and reputational harm. Furthermore, these may require the Group to expend significant additional resources to modify its protective measures or to investigate and remediate vulnerabilities or other exposures. There can be no assurance that it will not suffer material losses from operational risks in the future, including relating to cyber attacks or other such security breaches. Further, as cyber attacks continue to evolve, the Group may incur significant costs in its attempt to modify or enhance its protective measures or investigate or remediate any vulnerability.

The Group manages and holds confidential personal information of customers in the conduct of its banking operations. Although the Group has procedures and controls to safeguard personal information in its possession, unauthorised disclosures could subject it to legal actions and administrative sanctions as well as damages that could materially and adversely affect its operating results, financial condition and prospects.

In addition, the Group's businesses are exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of 'rogue traders' or other employees. It is not always possible to deter or prevent employee misconduct and the precautions the Group takes to prevent and detect this activity may not always be effective.

The Group may be required to report events related to information security issues, such as hacking or hacking attempts, events where customer information may be compromised, unauthorised access and other security breaches, to the relevant regulatory authorities. As of the date of this Base Prospectus, the Group has not experienced information security problems and it has not had to report any such events. Any material disruption or slowdown of the Group's systems could cause information, including data related to customer requests, to be lost or to be delivered to its clients with delays or errors, which could reduce demand for its services and products and could materially and adversely affect it.

6.16 ***Any failure to effectively improve or upgrade the Group's information technology infrastructure and management information systems in a timely manner could have a material adverse effect on it***

The Group's businesses and its ability to remain competitive depends to a significant extent upon the functionality of its information technology systems (including Partenon, the global banking information technology platform utilised by the Group and Banco Santander, S.A), and the Group's ability to upgrade and expand the capacity of our information technology on a timely and cost-effective basis. The proper functioning of the Group's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its branches and main data processing centres, are critical to the Group's businesses and its ability to compete. The Group must continually make significant investments and improvements in its information technology infrastructure in order to remain competitive. The Group cannot provide assurance that in the future it will be

able to maintain the level of capital expenditures necessary to support the improvement, expansion or upgrading of its information technology infrastructure as effectively as its competitors, this may result in a loss of the competitive advantages that the Group believe its information technology systems provide. Any failure to effectively improve, expand or upgrade the Group's information technology infrastructure and management information systems in a timely manner could have a material adverse effect on it.

6.17 ***Despite the Group's risk management policies, procedures and methods, the Group may nonetheless be exposed to unidentified or unanticipated risks***

The management of risk is an integral part of the Group's activities. The Group seeks to monitor and manage its risk exposure through a variety of separate but complementary financial, credit, market, operational, compliance and legal reporting systems. While the Group employs a broad and diversified set of risk monitoring and risk mitigation techniques, such techniques and strategies may not be fully effective in mitigating the Group's risk exposure in all economic market environments or against all types of risk, including risks that it fails to identify or anticipate. Some of the Group's qualitative tools and metrics for managing risk are based upon its use of observed historical market behaviour. The Group applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the Group did not anticipate or correctly evaluate in its statistical models. This would limit the Group's ability to manage its risks. The Group's losses thus could be significantly greater than the historical measures indicate. In addition, the Group's quantified modelling does not take all risks into account. The Group's more qualitative approach to managing those risks could prove insufficient, exposing it to material unanticipated losses. If existing or potential customers believe the Group's risk management is inadequate, they could take their business elsewhere. This could harm the Group's reputation as well as its revenues and profits.

6.18 ***Competition with other financial institutions could adversely affect the Group***

The Group faces substantial competition in all parts of its business, including in originating loans and in attracting deposits. The competition in originating loans comes principally from other domestic and foreign banks, mortgage banking companies, consumer finance companies, insurance companies and other lenders and purchasers of loans. The market for UK financial services is highly competitive and the recent financial crisis continues to reshape the banking landscape in the UK, particularly the financial services and mortgage markets, reinforcing both the importance of a retail deposit funding base and strong capitalisation. Lenders have moved increasingly towards a policy of concentrating on the highest quality customers, judged by credit score and loan to value criteria, and there is strong competition for these customers. The supply of credit is much more limited for those potential customers without a large deposit or good credit history.

The Group expects competition to intensify in response to consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors. In particular, the Independent Commission on Banking (the "**ICB**"), chaired by Sir John Vickers, has recommended that steps be taken to increase competition in the personal and small business banking sector (including, for example, strengthening the objectives of the Financial Conduct Authority (the "**FCA**") (as successor to the FSA) for the role of conduct supervision, such that it is obliged to regulate in a manner which promotes competition. On 19 December 2011, HM Treasury published its response to the ICB report, agreeing with the majority of the ICB's recommendations. The Financial Services Act 2012 has amended the Financial Services and Markets Act 2000 ("**FSMA**") with effect from 1 April 2013 to include in the FCA's operational objectives the objective of promoting effective competition in the interests of consumers in the markets for regulated financial services. A strong political and regulatory will to foster consumer choice in retail financial services could lead to even greater competition in the UK personal and small business banking sector. If financial markets remain unstable, financial institution consolidation may continue (whether as a result of the UK Government taking ownership and control over other financial institutions in the UK or otherwise). Financial institution consolidation could also result from the UK Government disposing of its stakes in those financial institutions it currently controls. Such consolidation could adversely affect the Group's operating results, financial condition and prospects. There can be no assurance that this increased competition will not adversely affect the Group's growth prospects, and therefore its operations. The Group faces competition from non-bank competitors, such as supermarkets, department stores for some credit products and generally from other loan providers.

Increasing competition could require that the Group increase its rates offered on deposits or lower the rates it charges on loans, which could also have a material adverse effect on the Group, including its profitability. It may also negatively affect the Group's business results and prospects by, among other things, limiting its ability to increase its customer base and expand its operations and increasing competition for investment opportunities.

In addition, if the Group's customer service levels were perceived by the market to be materially below those of its competitor financial institutions, the Group could lose existing and potential business. If the Group is not successful in retaining and strengthening customer relationships, it may lose market share, incur losses on some or all of its activities or fail to attract new deposits or retain existing deposits, which could have a material adverse effect on its operating results, financial condition and prospects.

6.19 ***The Group's ability to maintain its competitive position depends, in part, on the success of new products and services that it offers, its customers and its ability to continue offering products and services from third parties, and the Group may not be able to manage various risks it faces as it expands the Group's range of products and services that could have a material adverse effect on it***

The success of the Group's operations and its profitability depends, in part, on the success of new products and services the Group offers its customers. However, the Group cannot guarantee that its new products and services will be responsive to customer demands or successful once they are offered to the Group's customers, or that they will be successful in the future. In addition, the Group's customers' needs or desires may change over time, and such changes may render its products and services obsolete, outdated or unattractive and the Group may not be able to develop new products that meet its customers' changing needs. If the Group cannot respond in a timely fashion to the changing needs of the Group's customers, it may lose customers, which could in turn materially and adversely affect it.

As the Group expands the range of its products and services, some of which may be at an early stage of development in the UK market, the Group will be exposed to new and potentially increasingly complex risks and development expenses, with respect to which its experience and the experience of its partners may not be helpful. The Group's employees and its risk management systems may not be adequate to handle such risks. In addition, the cost of developing products that are not launched is likely to affect the Group's results of operations. Any or all of these factors, individually or collectively, could have a material adverse effect on it.

6.20 ***If the Group is unable to effectively control the level of non-performing or poor credit quality loans in the future, or if its loan loss reserves are insufficient to cover future loan losses, this could have a material adverse effect on it.***

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. Non-performing or low credit quality loans can negatively impact the Group's results of operations. The Group cannot be sure that it will be able to effectively control the level of the impaired loans in the Group's total loan portfolio. In particular, the amount of the Group's reported non-performing loans may increase in the future as a result of growth in the Group's total loan portfolio, including as a result of loan portfolios that the Group may acquire in the future, or factors beyond the Group's control, such as adverse changes in the credit quality of the Group's borrowers and counterparties or a general deterioration in UK or global economic conditions, impact of political events, events affecting certain industries or events affecting financial markets and global economies.

The Group's current loan loss reserves may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of the Group's total loan portfolio. The Group's loan loss reserves are based on the Group's current assessment of and expectations concerning various factors affecting the quality of the Group's loan portfolio. These factors include, among other things, the Group's borrowers' financial condition, repayment abilities and repayment intentions, the realisable value of any collateral, the prospects for support from any guarantor, government macroeconomic policies, interest rates and the legal and regulatory environment. As the recent global financial crisis has demonstrated, many of these factors are beyond the Group's control. As a result, there is no precise method for predicting loan and credit losses, and the Group cannot provide assurance that its loan loss reserves will be sufficient to cover actual losses. If the Group's assessment of and expectations concerning the above mentioned factors differ from actual developments, if the quality of the Group's total loan portfolio deteriorates, for any reason, including the increase in lending to individuals and small and medium enterprises, the volume increase in the credit card portfolio and the introduction of new products, or if the future actual losses exceed the Group's estimates of incurred losses, the Group may

be required to increase the Group's loan loss reserves, which may adversely affect it. If the Group is unable to control or reduce the level of its non-performing or poor credit quality loans, this could have a material adverse effect on it.

Interest rates payable on a significant portion of the Group's outstanding mortgage loan products fluctuate over time due to, among other factors, changes in the Bank of England base rate. As a result, borrowers with variable interest rate mortgage loans are exposed to increased monthly payments when the related mortgage interest rate adjusts upward. Similarly, borrowers of mortgage loans with fixed or introductory rates adjusting to variable rates after an initial period are exposed to the risk of increased monthly payments at the end of this period. Over the last few years both variable and fixed interest rates have been at relatively low levels, which has benefited borrowers of new loans and those repaying existing variable rate loans regardless of special or introductory rates. Future increases in borrowers' required monthly payments may result in higher delinquency rates and losses in the future. Borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. These events, alone or in combination, may contribute to higher delinquency rates and losses.

6.21 ***The Group's loan portfolio is subject to risk of prepayment, which could have a material adverse effect on it***

The Group's loan portfolio is subject to prepayment risk, which results from the ability of a borrower or issuer to pay a debt obligation prior to maturity. Generally, in a declining interest rate environment, prepayment activity increases, which reduces the weighted average lives of the Group's earning assets, and could have a material adverse effect on it. The Group would also be required to amortise net premiums into income over a shorter period of time, thereby reducing the corresponding asset yield and net interest income. Prepayment risk also has a significant adverse impact on credit card and collateralised mortgage loans, since prepayments could shorten the weighted average life of these assets, which may result in a mismatch in the Group's funding obligations and reinvestment at lower yields. Prepayment risk is inherent to the Group's commercial activity and an increase in prepayments could have a material adverse effect on it.

6.22 ***The value of the collateral, including real estate, securing our loans may not be sufficient, and the Group may be unable to realise the full value of the collateral securing our loan portfolio***

The value of the collateral securing our loan portfolio may significantly fluctuate or decline due to factors beyond the Group's control, including macroeconomic factors affecting the UK's economy. The real estate market is particularly vulnerable in the current economic climate and the residential mortgage loan portfolio is one of the Group's principal assets. As a result, the Group is highly exposed to developments in the residential property market in the UK.

The housing market has performed stronger than anticipated in 2013, with an increase in both house prices and the volume of property transactions. However, these increases have not so far resulted in strong growth in net mortgage lending in the market. Any further increase in house prices may be limited by the high level of prices relative to household earnings given the continued weakness seen in real earnings growth. The depth of the previous house price declines as well as the continuing uncertainty as to the extent and sustainability of the UK economic recovery will mean that losses could be incurred on loans should they go into possession.

The value of the collateral securing the Group's loan portfolio may also be adversely affected by force majeure events, such as natural disasters such as floods or landslides which may cause widespread damage, could have an adverse impact on the economy of the affected region and may impair the asset quality of the Group's loan portfolio in that area.

The Group may also not have sufficiently recent information on the value of collateral, which may result in an inaccurate assessment for impairment losses of its loans secured by such collateral. If this were to occur, the Group may need to make additional provisions to cover actual impairment losses of its loans, which may materially and adversely affect its operating results, financial condition and prospects.

6.23 ***The Group has a core strategy to grow its operations organically and through acquisitions, but if the Group is unable to manage such growth effectively, this could have an adverse impact on its profitability***

The Group allocates management and planning resources to develop strategic plans for organic growth, and to identify possible acquisitions and disposals and areas for restructuring our businesses. The Group cannot provide assurance that it

will, in all cases, be able to manage its growth effectively or deliver its strategic growth objectives. Challenges that may result from the Group's strategic growth decisions include its ability to:

- manage efficiently the operations and employees of expanding businesses;
- maintain or grow its existing customer base;
- assess the value, strengths and weaknesses of investment or acquisition candidates;
- finance strategic opportunities, investments or acquisitions;
- fully integrate strategic investments, or newly-established entities or acquisitions, in line with our strategy;
- align our current information technology systems adequately with those of an enlarged group;
- apply our risk management policy effectively to an enlarged group; and
- manage a growing number of entities without over-committing management or losing key personnel.

Any failure to manage growth effectively, including relating to any or all of the above challenges associated with the Group's growth plans, could have a material adverse effect on its operating results, financial condition and prospects. From time to time, the Group evaluates acquisition and partnership opportunities that it believes could offer additional value to its shareholders and are consistent with its business strategy. However, the Group may not be able to identify suitable acquisition or partnership candidates, and the Group may not be able to acquire promising targets or form partnerships on favourable terms or at all. Furthermore preparations for acquisitions which do not complete can be disruptive. The Group bases its assessment of potential acquisitions and partnerships on limited and potentially inexact information and on assumptions with respect to value, operations, profitability and other matters that may prove to be incorrect. The Group's ability to benefit from any such acquisitions and partnerships will depend in part on its successful integration of those businesses. Such integration entails significant risks such as unforeseen difficulties in integrating operations and systems and unexpected liabilities or contingencies relating to the acquired businesses, including legal claims. The Group can give no assurance that its expectations with regards to integration and synergies will materialise. In addition, any acquisition or venture could result in the loss of key employees and inconsistencies in standards, controls, procedures and policies.

Moreover, the success of the acquisition or venture will at least in part be subject to a number of political, economic and other factors that are beyond the Group's control. Any or all of these factors, individually or collectively, could have a material adverse effect on it.

6.24 ***Goodwill impairments may be required in relation to acquired businesses***

The Group has made business acquisitions in recent years and may make further in the future. It is possible that the goodwill which has been attributed, or may be attributed, to these businesses may have to be written-down if the Group's valuation assumptions are required to be reassessed as a result of any deterioration in their underlying profitability, asset quality and other relevant matters. Impairment testing in respect of goodwill is performed annually, more frequently if there are impairment indicators present, and comprises a comparison of the carrying amount of the cash-generating unit with its recoverable amount. Goodwill impairment does not however affect our regulatory capital. Whilst no impairment of goodwill was recognised in 2012 or 2013, there can be no assurances that the Group will not have to write down the value attributed to goodwill in the future, which would adversely affect the Group's results and net assets.

6.25 ***The Group is subject to substantial regulation and governmental oversight which could adversely affect the Group's business and operations***

As a financial institution, the Group is subject to extensive financial services laws, regulations, administrative actions and policies in the UK, the European Union and each other location in which it operates (including in the US and, indirectly, in Spain by the Banco de España (the Bank of Spain) as a result of being part of the Santander Group) which materially affects the Group's businesses. Statutes, regulations and policies to which the Group are subject, in particular those relating

to the banking sector and financial institutions, may be changed at any time, and the interpretation and the application of those laws and regulations by regulators is also subject to change. Any legislative or regulatory actions and any required changes to the Group's business operations resulting from such legislation and regulations could result in significant loss of revenue, limit its ability to pursue business opportunities in which it might otherwise consider engaging, affect the value of assets that it holds, require the Group to increase its prices and therefore reduce demand for the Group's products, impose additional costs on the Group or otherwise adversely affect the Group's businesses. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect the Group.

During the recent market turmoil, there have been unprecedented levels of government and regulatory intervention and scrutiny, and changes to the regulations governing financial institutions and the conduct of business. In addition, in light of the financial crisis, regulatory and governmental authorities are considering, or may consider, further enhanced or new legal or regulatory requirements intended to prevent future crises or otherwise assure the stability of institutions under their supervision. It is anticipated that this intensive approach to supervision will be continued by the FCA and the PRA (as successor regulatory authorities to the FSA).

Recent proposals and measures taken by governmental, tax and regulatory authorities and future changes in supervision and regulation, in particular in the UK, which are beyond the Group's control, could materially affect the Group's business, value of assets and operations, and result in significant increases in operational costs. Products and services offered by the Group could also be affected. Changes in UK legislation and regulation to address the stability of the financial sector may also affect the competitive position of the UK banks, including Santander UK, particularly if such changes are implemented before international consensus is reached on key issues affecting the industry, for instance in relation to the FCA's regulations on liquidity risk management and also the UK Government's introduction of the bank levy. Although the Group works closely with its regulators and continually monitors the situation, future changes in law, regulation, fiscal or other policies can be unpredictable and are beyond the Group's control. No assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the Group's business.

On 16 June 2010, the Chancellor of the Exchequer announced the creation of the ICB. The ICB was asked to consider structural and related non-structural reforms to the UK banking sector to promote financial stability and competition, and to make recommendations to the UK Government. The ICB gave its recommendations on 12 September 2011 and proposed: (i) implementation of a retail ring fence, (ii) increased capital requirements and (iii) improvement of competition which were broadly endorsed by the Government in its response published on 19 December 2011. A White Paper was published on 14 June 2012 detailing how the Government intends to implement the recommendations of the ICB. A draft of the initial bill to implement the ICB recommendations was published on 12 October 2012, in the format of framework legislation to put in place the architecture to effect the reforms, with detailed policy being provided for through secondary legislation. On 4 February 2013, the Financial Services (Banking Reform) Bill (the "**Banking Reform Bill**") was introduced to Parliament. Draft secondary legislation covering certain aspects of the ICB's recommendations was released for consultation in July 2013. The Government expects the primary and secondary legislation to be in place by 2015 and to take effect by 2019. On 1 October 2013, amendments were made to the Banking Reform Bill. These amendments included provisions to implement the June 2013 recommendations of the Parliamentary Commission on Banking Standards, such as the creation of a new banking standards regime covering the conduct of bank staff and a criminal offence for reckless misconduct of banking staff.

On 18 December 2013, the Banking Reform Bill (as amended) received Royal Assent in the House of Lords as the Financial Services (Banking Reform) Act 2013 (the "**Banking Reform Act**"). Among other things, the Banking Reform Act:

- provides HMT Treasury and the PRA powers to implement the ICB recommendations;
- introduces a senior persons regime, replacing the approved persons regime established under FSMA (as amended by the Financial Services Act 2012);
- introduces a new criminal offence for reckless misconduct in the management of a bank;
- establishes a new payment systems regulator to be established by the FCA;

- amends the Banking Act 2009 to include a bail-in stabilisation option forming part of the special resolution regime (see the Risk Factor entitled "The Banking Act, the Banking Reform Act and similar European legislation, may adversely affect our business" for further detail); and

- imposes a duty on the FCA to make rules to cap the cost of payday loans.

It is too early to assess the full impact of the Banking Reform Act and any ancillary secondary legislation which may come into force. However, for example, it is expected that changes to the Group's structure and business, for example, will be necessary for it to comply with the Banking Reform Act and such changes could have an adverse effect on the Group's operating results, financial condition and prospects.

In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted on 21 July 2010 (the "**Dodd-Frank Act**"), has been implemented in part and continues to be implemented by various US federal regulatory agencies. The Dodd-Frank Act, among other things, imposes a new regulatory framework on swap transactions, including swaps of the sort that the Group enters into, requires regulators to adopt new rules governing the retention of credit risk by securitisers or originators of securitisations, significantly expands the coverage and scope of regulations that limit affiliate transactions within a banking organisation and prohibits certain forms of proprietary trading. Each of these aspects of the Dodd-Frank Act, as well as others, may directly and indirectly impact various aspects of the Group's business. The full spectrum of risks that the Dodd-Frank Act poses to the Group is not yet known, however, such risks could be material and the Group could be materially and adversely affected by them.

In the United Kingdom and elsewhere, there is continuing political and regulatory scrutiny of the banking industry and, in particular, retail banking. The Competition Commission, the FSA (and, following 1 April 2013, its successor, the FCA) and the Office of Fair Trading ("**OFT**") have recently carried out, or are currently conducting, several enquiries.

The resolution of a number of issues, including regulatory reforms, investigations and reviews and court cases, affecting the UK financial services industry could have an adverse effect on the Group's operating results, financial condition and prospects, or the Group's relations with the Group's customers and potential customers.

6.26 ***The structure of the financial regulatory authorities in the UK and the UK regulatory framework that applies to the Group has been reformed and reorganised and it is subject to any potential resulting uncertainty and changes to the UK regulatory regime in general***

Under the Financial Services Act 2012 which received Royal Assent on 19 December 2012, the UK Government introduced a range of structural reforms to UK financial regulatory bodies. Such reforms were implemented on 1 April 2013 as follows:

- the FSA ceased to exist;

- a new Financial Policy Committee ("**FPC**") has been established within the Bank of England which is responsible for macro-prudential regulation, or regulation of stability and resilience of the financial system as a whole;

- an independent subsidiary of the Bank of England, the PRA, has been established to oversee micro-prudential regulation of financial institutions that manage significant risks on their balance sheets; and

- the FCA has been established and it has the responsibility for conduct of business and markets regulation. The FCA also represents the UK's interests in market regulation at the new European Securities and Markets Authority.

In addition, from 1 April 2014, regulation of consumer credit business (including second and subsequent charge mortgages) will be transferred from the OFT to the FCA pursuant to provisions contained in the Financial Services Act 2012. This is discussed in further detail in the Risk Factor entitled, "Various reforms to the mortgage lending and personal loans market have been proposed which could require significant implementation costs or changes to the Group's business strategy".

This substantial reorganisation of the regulatory framework could cause administrative and operational disruption for the regulatory authorities concerned. This disruption could impact on the resources which the FCA or the PRA is able to devote to the supervision of regulated financial services firms, the nature of their approach to supervision and accordingly, the ability of regulated financial sector firms (including the Group) to deal effectively with their supervisors and to anticipate and respond appropriately to developments in regulatory policy.

It is anticipated that future changes in the nature of, or policies for, prudential and conduct of business supervision, as performed by the PRA and the FCA respectively, will differ from the approach historically taken by the FSA and that this could lead to a period of some uncertainty for the Group. Implementation of the Financial Services Act 2012 may result both in further increased regulatory oversight of the Group's activities as a financial services firm, resulting in constraints in its business activities and/or increases in regulatory capital requirements, and/or increased amounts of the Group's time and resources required to be committed to compliance with the requirements of two new regulators with separate approaches and objectives which could result in a material increase in compliance costs. No assurance can be given that further changes will not be made to the regulatory regime in the UK generally, the Group's particular business sectors in the market or specifically in relation to it. Any or all of these factors could have a material adverse effect on the conduct of the Group's business and, therefore, also on the Group's strategy and profitability, and ability to respond to and satisfy the supervisory requirements of the relevant UK regulatory authorities.

6.27 ***Various reforms to the mortgage lending and personal loans market have been proposed which could require significant implementation costs or changes to the Group's business strategy***

In December 2011, the FSA published a consultation paper that consolidates proposals arising out of its wide-ranging "mortgage market review", which was launched in October 2009 to consider strengthening rules and guidance on, among other things, affordability assessments, product regulation, arrears charges and responsible lending. The FSA's aim was to ensure the continued provision of mortgage credit for the majority of borrowers who can afford the financial commitment of a mortgage, while preventing a re-emergence of poor lending practices as the supply of mortgage credit in the market recovers. In October 2012, the FSA published a feedback statement and final rules that will come into force on 26 April 2014. These rules will require, among other things, an assessment of affordability in accordance with detailed requirements, with transitional arrangements where the borrower does not take on additional borrowing except for essential repairs or maintenance work, and will ban self-certified loans. These rules will permit interest-only loans where there is a clearly understood and credible strategy for repaying the capital (evidence of which the lender must obtain before making the loan and check at least once during the term of the loan) and the cost of the repayment strategy must be part of the affordability assessment.

The impact of the changes is now clear and the reforms have presaged a period of significant change for the Group's mortgage lending business which will mean reforms to its mortgage sales delivery systems, changes to its mortgage documentation and significant reform of the Group's approach to risk assessment of prospective mortgage customers. These could have an adverse effect on the Group's operating results, financial condition and prospects.

The Financial Services Act 2012 contains provisions enabling this transfer of consumer credit regulation (which includes new and existing second charge mortgages) from the OFT to the FCA. HM Treasury has announced that consumer credit regulation will be transferred to the FCA from 1 April 2014. The related secondary consumer credit legislation was enacted in July 2013. Under the new regime, the FCA may make rules under which, and from dates to be specified: (a) carrying on certain credit-related activities (including in relation to servicing credit agreements) otherwise than in accordance with permission from the FCA will render the credit agreement unenforceable without FCA approval and (b) the FCA will have power to render unenforceable contracts made in contravention of its rules on cost and duration of credit agreements or in contravention of its product intervention rules. The Financial Services Act 2012 also provides for formalised cooperation to exist between the FCA and the Financial Ombudsman Service (the "**FOS**") (which determines complaints by eligible complainants in relation to authorised financial services firms, consumer credit licensees and certain other businesses), particularly where issues identified potentially have wider implications with a view to the FCA requiring firms to operate consumer redress schemes.

On 3 October 2013, the FCA published a further consultation paper containing detailed proposals for conduct of business and prudential rules for consumer credit firms and containing feedback to the FSA's earlier consultation.

Given the uncertainties still surrounding the transition of the consumer credit regime from the OFT to the FCA, it is not clear what the impact on the Group will be. However, a likely consequence of these pending changes is that the Group will have to review and reform the sales processes and documentation of its consumer credit products including the Group's credit card and unsecured personal loan products before April 2014. This review and the changes the Group may have to make could adversely affect its business.

Further, in March 2011, the European Commission published a proposal for a directive on credit agreements relating to residential immovable property for consumers (the "**Mortgage Credit Directive**"). The proposal requires, among other things, standard pre-contractual information, calculation of the annual percentage rate of charge in accordance with a prescribed formula, and a right of the borrower to make early repayment. On 10 December 2013, the European Parliament adopted the text of the proposed Mortgage Credit Directive at first reading and the European Council is expected to formally adopt the text of the Mortgage Credit Directive in one of its forthcoming meetings. The FCA Director of Mortgage and Consumer Lending stated in November 2013 that the FCA intended to publish a consultation on the implementation of the Mortgage Credit Directive in mid-2014. Until the UK implementing legislation is published, it is not certain what effect the adoption and implementation of the Mortgage Credit Directive will have on the Group's mortgage business.

6.28 ***The Group is exposed to risk of loss from legal and regulatory proceedings***

The Group faces various issues that may give rise to risk of loss from legal and regulatory proceedings. These issues, including appropriately dealing with potential conflicts of interest, and legal and regulatory requirements, could increase the amount of damages asserted against the Group or subject it to regulatory enforcement actions, fines and penalties. The current regulatory environment, with its increased supervisory focus on enforcement, combined with uncertainty about the evolution of the regulatory regime, may lead to material operational and compliance costs. These include the risk that:

- certain aspects of the Group's business may be determined by the Bank of England, the PRA and the FCA, HM Treasury, the OFT, the FOS or the courts as not to have been or being conducted in accordance with applicable laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the FOS's opinion;

- the alleged mis-selling of financial products, such as payment protection insurance ("**PPI**"), including as a result of having sales practices and/or rewards structures that are now deemed to have been inappropriate, results in disciplinary action (including significant fines) or requires the Group to amend sales processes, withdraw products, or provide restitution to affected customers, all of which may require additional provisions to be recorded in the Group's financial statements and could adversely impact future revenues from affected products;

- the Group holds accounts for entities that might be or are subject to interest from various regulators, including the UK's Serious Fraud Office, regulators in the US and elsewhere (the Group is not aware of any current investigation into it as a result of any such enquiries, but cannot exclude the possibility of the Group's conduct being reviewed as part of any such investigation); and

- the Group may be liable for damages to third parties harmed by the conduct of the Group's business.

The Group is from time to time subject to certain claims and party to certain legal proceedings incidental to the normal course of its business, including in connection with its lending activities, relationships with its employees and other commercial or tax matters. These can be brought against the Group under UK regulatory processes or in the UK courts, or those in other jurisdictions where the Group operates, including the European Union and the United States. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in the early stages of discovery, the Group cannot state with confidence what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be. The Group believes that it has made adequate provisions related to the costs anticipated to be incurred in connection with these various claims and legal proceedings. However, the amount of these provisions is substantially less than the total amount of the claims asserted against the Group and in light of the uncertainties involved in such claims and proceedings, there can be no assurance that the ultimate resolution of these matters will not significantly exceed the provisions currently accrued by the Group. As a

result, the outcome of a particular matter may be material to the Group's operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and its level of income for that period.

The FCA carries out regular and frequent reviews of the conduct of business by financial institutions including banks. An adverse finding by a regulator could result in the need for extensive changes in systems and controls, business policies, and practices coupled with customer redress, fines and reputational damage.

Failure to manage these risks adequately could have a material adverse effect on the Group's reputation, operating results, financial condition and prospects.

6.29 ***Potential intervention by the FCA, the PRA (or an overseas regulator) may occur, particularly in response to customer complaints***

Following the onset of the recent financial crisis, the FSA (and now the PRA and the FCA) adopted a more intrusive and direct style of regulation which has been termed "intensive supervision". The PRA and the FCA now have a more outcome-focused regulatory approach, more proactive enforcement and more punitive penalties for infringements, which means that PRA and/or FCA-authorised firms, including the Group, are facing increasing supervisory intrusion and scrutiny (resulting in increasing internal compliance costs and supervision fees) and in the event of a breach of their regulatory obligations are likely to face more stringent penalties.

In particular, the FCA has a strong focus on consumer protection and it is taking a more interventionist approach in its increasing scrutiny of product terms and conditions. FSMA (as amended by the Financial Services Act 2012) gives the FCA the power to make temporary product intervention rules either to improve a firm's systems and controls in relation to product design, product management and implementation, or to address problems identified with products which may potentially cause significant detriment to consumers because of certain product features or firms' flawed governance and distribution strategies. Such rules may prevent firms from entering into product agreements with consumers until such problems have been rectified.

The regulatory regime requires the Group to be in compliance across all aspects of our business, including the training, authorisation and supervision of personnel, systems, processes and documentation. If the Group fails to be compliant with relevant regulations, there is a risk of an adverse impact on the Group's business from sanctions, fines or other action imposed by the regulatory authorities.

Customers of financial services institutions, including the Group's customers, may seek redress if they consider that they have suffered loss as a result of the mis-selling of a particular product, or through incorrect application of the terms and conditions of a particular product. Given the inherent unpredictability of litigation and the evolution of judgements by the FOS, it is possible that an adverse outcome in some matters could have a material adverse effect on the Group's operating results, financial condition and prospects arising from any penalties imposed or compensation awarded, together with the costs of defending such an action.

Under the Financial Services Act 2010, the FCA has the power to require authorised firms, including the Group, to establish a consumer redress scheme if it considers that consumers have suffered loss or damage as a consequence of a widespread or regular regulatory failing, including mis-selling.

In recent years there have been several industry-wide issues in which the FSA (now the FCA) has intervened directly. One such issue is the mis-selling of payment protection insurance ("**PPI**"). In August 2010, the FSA (now the PRA and the FCA) published a policy statement entitled "The assessment and redress of Payment Protection Insurance complaints" (the "**Policy Statement**"). The Policy Statement contained rules which altered the basis on which regulated firms (including Santander UK and certain members of the Group) must consider and deal with complaints in relation to the sale of PPI and potentially increased the amount of compensation payable to customers whose complaints are upheld. A legal challenge of these rules by the British Bankers' Association (the "**BBA**") was unsuccessful. In light of those and the consequential increase in claims levels the Group performed a detailed review of its provision requirements and as a result, revised its provision of PPI complaint liabilities to reflect the new information. The overall effect of this was a substantial increase in the provision requirement for 2011. Following this increase during 2011, no further provisions have been deemed necessary and we believe the current provision remains adequate based on recent complaint trends.

The ultimate financial impact on the Group of the claims arising from PPI complaints is uncertain and will depend on a number of factors, including the implementation of the Policy Statement, the rate at which new complaints arise, the content and quality of the complaints (including the availability of supporting evidence), the role of claims management companies and the average uphold rates and redress costs. The Group can make no assurance that expenses associated with PPI complaints will not exceed the provision it has made relating to these claims. More generally, the Group make no assurances that its estimates for potential liabilities are correct, and the reserves taken as a result may prove inadequate. If the Group were to incur additional expenses that exceed provisions for PPI liabilities or other provisions, these expenses could have a material adverse effect on the Group's operating results, financial condition and prospects.

All the above is similarly relevant to any future industry-wide mis-selling or other issues that could affect the Group, such as the sale of other retail financial products and interest-rate derivative products sold to SMEs. This may lead from time to time to: (i) significant direct costs or liabilities (including in relation to mis-selling); and (ii) changes in the practices of such businesses which benefit customers at a cost to shareholders.

Decisions taken by the FOS (or any overseas equivalent that has jurisdiction) could, if applied to a wider class or grouping of customers, have a material adverse effect on the Group's operating results, financial condition and prospects.

The Financial Services and Markets Act 2000 (Designated Consumer Bodies) Order 2013 (the "**Order**") was made on 16 December 2013 and came into force on 1 January 2014. The Order designates the National Assocation of Citizens Advice Bureaux, the Consumers' Association, the General Consumer Council for Northern Ireland and the National Federation of Self Employed and Small Businesses as consumer bodies that may submit a super-complaint to the FCA on behalf of consumers of financial services where it considers that a feature, or a combination of features, of the market for financial services in the UK is seriously damaging the interests of these customers. Complaints about damage to the interests of individual consumers will continue to be dealt with by the FOS. If a super-complaint is made against the Group by a designated consumer body under this Order, any response published or action taken by the FCA could have a material adverse effect on its operating results, financial condition and prospects.

6.30 ***The Banking Act, the Banking Reform Act and similar European legislation, may adversely affect the Group's business***

The Banking Act 2009 (the "**Banking Act**") came into force on 21 February 2009. The special resolution regime set out in the Banking Act provides HM Treasury, the Bank of England, the PRA and the FCA (and their successor bodies) with a variety of powers for dealing with UK deposit taking institutions (and, in certain circumstances, their holding companies) that are failing or likely to fail, including: (i) to take a bank or bank holding company into temporary public ownership; (ii) to transfer all or part of the business of a bank to a private sector purchaser; or (iii) to transfer all or part of the business of a bank to a "bridge bank". The special resolution regime also comprises a separate insolvency procedure and administration procedure each of which is of specific application to banks. These insolvency and administration measures may be invoked prior to the point at which an application for insolvency proceedings with respect to a relevant institution could be made.

If an instrument or order were made under the Banking Act in respect of Santander UK, such instrument or order (as the case may be) may (among other things): (i) result in a compulsory transfer of shares or other securities or property of Santander UK; (ii) impact on the rights of the holders of shares or other securities in Santander UK or result in the nullification or modification of the terms and conditions of such shares or securities; or (iii) result in the de-listing of Santander UK's shares and/or other securities. In addition, such an order may affect matters in respect of Santander UK and/or other aspects of Santander UK's shares or other securities which may negatively affect the ability of Santander UK to meet its obligations in respect of such shares or securities.

At present, no instruments or orders have been made under the Banking Act relating to the Group and there has been no indication that any such order will be made, but there can be no assurance that holders of shares or other securities in Santander UK would not be adversely affected by any such order if made in the future.

In addition, pursuant to recent amendments made to the Banking Act (which amendments have not taken effect), provision has been made for tools to be used in respect of a wider range of UK entities, including investment firms and certain banking group companies provided that certain conditions are met. HM Treasury is currently consulting on secondary legislation that specifies the definition of such companies. This consultation closed on 21 November 2013. The proposed secondary legislation would, if enacted, have the effect of allowing the Banking Act powers to be applied to investment

firms that are required to hold initial capital of €730,000 and to certain UK incorporated non-bank companies in the Group. Until such secondary legislation is made, it is too early to anticipate the full impact of the amendments made to the Banking Act and it is not possible to determine the impact of any action taken under the relevant provisions on investors, should such provisions apply to Group companies.

In June 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**RRD**"). The stated aim of the draft RRD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

The draft RRD currently contains similar resolution tools and powers to the Banking Act including a 'bail-in' power, which, if implemented, would give resolution authorities the power to write down the claims of unsecured creditors of a failing institution and to convert unsecured debt claims to equity (subject to certain parameters). The draft RRD currently contemplates that its provisions must be applied by EU Member States from 1 January 2015 except for the bail-in tool (in relation to certain instruments) which is to be applied from 1 January 2018.

The draft RRD envisages that the resolution powers, including the bail-in power, could, if certain trigger conditions are satisfied, be applied to credit institutions and certain large investment firms in the EU. Consequently, if the RRD were implemented in its current form and the relevant trigger conditions satisfied, there is a possibility that these powers could be applied to the Group. The implementation of such powers currently set out in the draft RRD would impact how credit institutions and investment firms (including the Group) are managed as well as, in certain circumstances, the rights of creditors. However, the proposed directive is not in final form and changes may be made to it in the course of the legislative process. In addition, many of the proposals contained in the draft RRD have already been implemented in the Banking Act and it is currently unclear as to what extent, if any, the provisions of the Banking Act may need to change once the draft RRD is implemented. The European Parliament is due to consider the draft RRD at its February 2014 plenary session. Accordingly, it is not yet possible to assess the full impact of the draft RRD on the Group and there can be no assurance that, once it is implemented, the fact of its implementation or the taking of any actions currently contemplated in it would not materially and adversely affect the Group's operating results, financial condition and prospects.

In addition, the RRD provides for resolution authorities to have the power to require institutions and groups to make structural changes to ensure legal and operational separation of "critical functions" from other functions where necessary, or to require institutions to limit or cease existing or proposed activities in certain circumstances. If used in respect of the Group, these ex ante powers could have a negative impact on the Group's business.

On 1 October 2013, the UK Government published amendments to the Financial Services (Banking Reform) Bill. The amendments introduce a national UK bail-in power, which would form part of the existing special resolution regime under the Banking Act. On 18 December 2013, the Banking Reform Bill received Royal Assent in the House of Lords as the Banking Reform Act. The Banking Reform Act amends the Banking Act 2009 to include a bail-in stabilisation option forming part of the special resolution regime, giving the UK authorities, in advance of RRD implementation, the power to cancel, write-down or convert to equity any securities issued by the Group. It is not yet possible to assess the full impact of the UK bail-in power on the Group and there can be no assurance that its implementation or the taking of any actions contemplated by it would not materially and adversely affect the Group's operating results, financial condition and prospects.

6.31 ***The Group is responsible for contributing to compensation schemes in the UK in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers***

In the UK, the Financial Services Compensation Scheme ("**FSCS**") was established under the Financial Services and Markets Act 2000 and is the UK's statutory fund of last resort for customers of authorised financial services firms. The FSCS can pay compensation to customers if a PRA or FCA-authorised firm is unable, or likely to be unable, to pay claims against it (for instance, an authorised bank is unable to pay claims by depositors). The FSCS is funded by levies on firms authorised by the PRA or the FCA, including Santander UK and other members of the Group.

In the event that the FSCS raises funds from authorised firms, raises those funds more frequently or significantly increases the levies to be paid by such firms, the associated cost to the Group may have a material adverse effect on the Group's

operating results, financial condition and prospects. The recent measures taken to protect the depositors of deposit-taking institutions involving the FSCS have resulted in a significant increase in the levies made by the FSCS on the industry and such levies may continue to go up if similar measures are required to protect depositors of other institutions.

In addition, regulatory reform initiatives in the UK and internationally may result in further changes to the FSCS, which could result in additional costs and risks for the Group. For instance, the FSA announced in October 2011 that it was restarting its review of the funding of the FSCS and on 25 July 2012 it announced a consultation on proposed changes to the funding of the FSCS. A second consultation dealing with certain proposals relating to intermediaries and investment providers followed and this closed on 18 February 2013. In a policy statement published in March 2012, the FCA expressed its intention to proceed as outlined in its July 2012 consultation paper and its final rules came into effect on 1 April 2013. Similarly, in July 2013, the Council of the European Union announced its intention that revisions to the EU Deposit Guarantee Scheme Directive should be adopted by the end of 2013. The proposed revisions include the introduction of a tighter definition of deposits, a requirement that the Deposit Guarantee Scheme pay customers within a week and a requirement that banks must be able to provide information on the aggregated deposits of a depositor. If these revisions are adopted, they are likely to affect the methodology employed by the FSCS for determining levies on institutions. Changes as a result of this may affect the profitability of Santander UK (and other members of the Group required to contribute to the FSCS). The European Parliament and EU member States are in the final stages of negotiation on the text of the EU Deposit Guarantee Scheme Directive which is expected to be formally approved in early 2014.

FSCS levies are collected by the FCA as part of a single payment by firms covering the FCA, the PRA, the FOS and the FSCS fees. It is possible that future policy of the FSCS and future levies on the firms authorised by the FCA or the PRA may differ from those at present and that this could lead to a period of some uncertainty for members of the Group. In addition, it is possible that other jurisdictions where the Group operates could introduce or amend their similar compensation, contributory or reimbursement schemes. As a result of any such developments, the Group may incur additional costs and liabilities which may adversely affect the Group's operating results, financial condition and prospects.

6.32 ***The Group may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and could have a material adverse effect on it.***

The Group is required to comply with applicable anti-money laundering, anti-terrorism and other laws and regulations in the jurisdictions in which it operates. These laws and regulations require the Group, among other things, to adopt and enforce "know-your-customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. These laws and regulations have become increasingly complex and detailed, require improved systems and sophisticated monitoring and compliance personnel and have become the subject of enhanced government supervision.

While the Group has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering and related activities, such policies and procedures have in some cases only been recently adopted and may not completely eliminate instances where the Group may be used by other parties to engage in money laundering and other illegal or improper activities. In addition, the personnel the Group employs in supervising these activities may not have experience that is comparable to the level of sophistication of criminal organisations. To the extent the Group fails to fully comply with applicable laws and regulations, the relevant government agencies to which the Group reports have the power and authority to impose fines and other penalties on it, including the revocation of licenses. The Group's business and reputation could also suffer if customers use the Group's banking network for money laundering or illegal or improper purposes.

In addition, while the Group reviews its relevant counterparties' internal policies and procedures with respect to such matters, the Group, to a large degree, relies upon its relevant counterparties to maintain and properly apply their own appropriate anti-money laundering procedures. Such measures, procedures and compliance may not be completely effective in preventing third parties from using the Group's (and its relevant counterparties) as a conduit for money laundering (including illegal cash operations) without the Group's (and its relevant counterparties') knowledge. If the Group is associated with, or even accused of being associated with, or of becoming a party to, money laundering, then its reputation could suffer and/or it could become subject to fines, sanctions and/or legal enforcement (including being added to any "black lists" that would prohibit certain parties from engaging in transactions with us), any one of which could have a material adverse effect on the Group's operating results, financial condition and prospects.

6.33 ***Changes in taxes and other assessments may adversely affect the Group***

The tax and other assessment regimes to which the Group and its customers are subject are regularly reformed, or subject to proposed reforms. Such reforms include changes in the rate of assessments and, occasionally, enactment of temporary taxes, the proceeds of which may be earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified and there can be no assurance that these reforms will not, once implemented, have an adverse effect upon the Group's business. Furthermore, such changes may produce uncertainty in the financial system, increasing the cost of borrowing and contributing to the increase in our non-performing credit portfolio.

The following paragraph discusses a major reform (the UK bank levy) which could have a material adverse effect on the Group's operating results, financial condition and prospects, and the competitive position of UK banks, including Santander UK.

UK Bank Levy: HM Treasury introduced an annual UK bank levy (the "**Bank Levy**") via legislation in the Finance Act 2011. The Bank Levy is imposed on (amongst other entities) UK banking groups and subsidiaries, and therefore applies to the Group. The amount of the Bank Levy is based on a bank's total liabilities, excluding (amongst other things) Tier 1 Capital, insured retail deposits and repos secured on sovereign debt. A reduced rate is applied to longer-term liabilities. The UK Government intends that the Bank Levy should raise at least £2.5bn each year. To offset the shortfall in Bank Levy receipts, and also to take account of the benefit to the banking sector of reductions in the rate of corporation tax, the rate of the Bank Levy was increased on 1 January 2012 and again on 1 January 2013. In December 2013, it was further announced that on 1 January 2014, the rate of the Bank Levy would rise to 0.156% in order to raise an estimated £2.7 billion in 2014 to 2015 and an estimated £2.9 billion each year from 2015 to 2016.

6.34 ***Changes in the Group's pension liabilities and obligations could have a materially adverse effect on it***

The Group provides retirement benefits for many of its former and current employees in the United Kingdom through a number of defined benefit pension schemes established under trust. The Group has only limited control over the rate at which it pays into such schemes. Under the UK statutory funding requirements, employers are usually required to contribute to the schemes at the rate they agree with the scheme trustees, although if they cannot agree, such rate can be set by the Pensions Regulator. The scheme trustees may, in the course of discussions about future valuations, seek higher employer contributions. The scheme trustees' power in relation to the payment of pension contributions depends on the terms of the trust deed and rules governing the pension schemes.

The UK Pensions Regulator has the power to issue a financial support direction to companies within a group in respect of the liability of employers participating in the UK defined benefit pension plans where that employer is a service company, or is otherwise "insufficiently resourced" (as defined for the purposes of the relevant legislation). As some of the employers within the Group are service companies, if they become insufficiently resourced, other companies within the Group which are connected with or an associate of those employers are at risk of a financial support direction in respect of those employers' liabilities to the defined benefit pension schemes in circumstances where the Pensions Regulator properly considers it reasonable to issue one. Such a financial support direction could require the companies to guarantee or provide security for the pension liabilities of those employers, or could require additional amounts to be paid into the relevant pension schemes in respect of them.

The UK courts have previously decided that liabilities under financial support directions issued by the Pensions Regulator against companies after they have gone into administration were payable as an expense of the administration, and did not rank as provable debts. This would have meant that such liabilities must be satisfied before any distributions to unsecured creditors could be made. On 24 July 2013, the Supreme Court issued its decision on this case and reversed the decision of the lower courts, thus pension liabilities will receive no special protection above secured and non-secured creditors.

The Pensions Regulator can also issue contribution notices if it is of the opinion that an employer has taken actions, or failed to take actions, deliberately designed to avoid meeting its pension promises or which are materially detrimental to the scheme's ability to meet its pension promises. A contribution notice can be moved to any company which is connected with or an associate of such employer in circumstances where the Regulator considers it reasonable to issue. The risk of a

contribution notice being imposed may inhibit the Group's freedom to restructure or to undertake certain corporate activities.

Any increase in the current size of the deficit in the defined benefit schemes operated by us, due to reduction in the value of the pension fund assets (depending on the performance of financial markets) or an increase in the pension fund liabilities due to changes in mortality assumptions, the rate of increase of salaries, discount rate assumptions, inflation, the expected rate of return on plan assets, or other factors, could result in the Group having to make increased contributions to reduce or satisfy the deficits which would divert resources from use in other areas of its business and reduce Santander UK's capital resources. While the Group can control a number of the above factors, there are some over which it has no or limited control. Although the trustees of the defined benefit pension schemes are obliged to consult with the Group before changing the pension schemes' investment strategy, the trustees have the final say. Increases in the Group's pension liabilities and obligations could have a material adverse effect on its operating results, financial condition and prospects.

The ongoing changes in the UK supervision and regulatory regime and particularly the implementation of the ICB's recommendations may require the Group to make changes to its structure and business which could have an impact on its pension schemes or liabilities.

6.35 ***The Group relies on recruiting, retaining and developing appropriate senior management and skilled personnel***

The Group's continued success depends in part on the continued service of key members of its management team. The ability to continue to attract, train, motivate and retain highly qualified and talented professionals is a key element of its strategy. The successful implementation of the Group's growth strategy depends on the availability of skilled management, both at its head office and in each of the Group's business units. If the Group or one of its business units or other functions fails to staff its operations appropriately or loses one or more of its key senior executives and fails to replace them in a satisfactory and timely manner, its business, financial condition and results of operations, including control and operational risks, may be adversely affected.

In addition, the financial industry has and may continue to experience more stringent regulation of employee compensation, which could have an adverse effect on the Group's ability to hire or retain the most qualified employees. If the Group fails or is unable to attract and appropriately train, motivate and retain qualified professionals, its business may also be adversely affected.

6.36 ***Damage to the Group's reputation could cause harm to its business prospects***

Maintaining a positive reputation is critical to the Group's attracting and maintaining customers, investors and employees and conducting business transactions with counterparties. Damage to the Group's reputation, the reputation of Banco Santander, S.A. (as the majority shareholder in Santander UK), the reputation of affiliates operating under the "Santander" brand or any of the Group's other brands or the reputation of the UK or of Spain could therefore cause significant harm to the Group's business and prospects. Harm to the Group's reputation can arise from numerous sources, including, among others, employee misconduct, litigation, failure to deliver minimum standards of service and quality, compliance failures, breach of legal or regulatory requirements, unethical behaviour (including giving adopted inappropriate sales and trading practices), and the activities of customers and counterparties. Further, negative publicity regarding the Group, whether or not true, may result in harm to the Group's operating results, financial condition and prospects.

Actions by the financial services industry generally or by certain members of, or individuals in, the industry can also affect the Group's reputation. For example, the role played by financial services firms in the financial crisis and the seeming shift toward increasing regulatory supervision and enforcement has caused public perception of the Group and others in the financial services industry to decline.

The Group could suffer significant reputational harm if it fails to properly identify and manage potential conflicts of interest. Management of potential conflicts of interest has become increasingly complex as the Group expands its business activities through more numerous transactions, obligations and interests with and among its customers. The failure to adequately address, or the perceived failure to adequately address, conflicts of interest could affect the willingness of customers to deal with the Group, or give rise to litigation or enforcement actions against it. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to the Group.

6.37 ***Changes in accounting standards could impact reported earnings.***

The accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of the Group's consolidated financial statements. These changes can materially impact how the Group records and reports its financial condition and results of operations. In some cases, the Group could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements.

6.38 ***The Group's financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of its operations and financial condition***

The preparation of financial statements requires management to make judgments, 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, judgments 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 Group's results and financial condition, based upon materiality and significant judgments and estimates, include impairment of loans and advances, valuation of financial instruments, goodwill impairment, provision for conduct remediation and pensions.

The valuation of financial instruments measured at fair value can be subjective, in particular where models are used which include unobservable inputs. Given the uncertainty and subjectivity associated with valuing such instruments it is possible that the results of the Group's operations and financial condition could be materially misstated if the estimates and assumptions used prove to be inaccurate.

If the judgment, estimates and assumptions the Group uses in preparing its consolidated financial statements are subsequently found to be incorrect, there could be a material effect on its results of operations and a corresponding effect on its funding requirements and capital ratios.

6.39 ***Disclosure controls and procedures over financial reporting may not prevent or detect all errors or acts of fraud***

Disclosure controls and procedures over financial reporting are designed to reasonably assure that information required to be disclosed by the Issuer and/or the Guarantor in reports filed or submitted under the US Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), is accumulated and communicated to management, and recorded, processed, summarised and reported within the time periods specified in the SEC's rules and forms.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Consequently, the Group's businesses are exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of 'rogue traders' or other employees. It is not always possible to deter employee misconduct and the precautions we take to prevent and detect this activity may not always be effective. As a result of the inherent limitations in the control system, misstatements due to error or fraud may occur and not be detected.

6.40 ***The Group relies on third parties for important infrastructure support products and services***

Third party vendors provide key components of the Group's business infrastructure such as loan and deposit servicing systems, internet connections and network access. Any problems caused by these third parties, including as a result of their not providing the Group their services for any reason or their performing their services poorly, could adversely affect the Group's ability to deliver products and services to customers and otherwise to conduct business. Replacing these third party vendors could also entail significant delays and expense.

6.41 ***The Group engages in transactions with its subsidiaries or affiliates that others may not consider to be on an arm's-length basis***

The Group and its subsidiaries and affiliates have entered into a number of services agreements pursuant to which it renders services, such as administrative, accounting, finance, treasury, legal services and others. The Group relies upon certain outsourced services (including information technology support, maintenance and consultancy services in connection with Partenon) provided by certain other members of the Santander Group.

English law applicable to public companies and financial groups and institutions, as well as the Group's articles of association, provide for several procedures designed to ensure that the transactions entered into with or among its financial subsidiaries do not deviate from prevailing market conditions for those types of transactions, including the requirement that its board of directors approve such transactions.

The Group is likely to continue to engage in transactions with its subsidiaries or affiliates (including the Group's controlling shareholder). Future conflicts of interests between the Group and any of the Group's subsidiaries or affiliates, or among the Group's subsidiaries and affiliates, may arise, which conflicts are not required to be and may not be resolved in the Group's favour.

6.42 ***Different disclosure and accounting principles between the UK and the US may provide investors with different or less information about the Group***

There may be less publicly available information about the Group than is regularly published about companies in the United States. Issuers of securities in the UK are required to make public disclosures that are different from, and that may be reported under presentations that are not consistent with, disclosures required in countries with more developed capital markets, including the United States. While the Group is subject to the periodic reporting requirements of the Exchange Act, the Group is not subject to the same disclosure requirements in the United States as a domestic US registrant under the Exchange Act, including the requirements to prepare and issue quarterly reports, or the proxy rules applicable to domestic US registrants under Section 14 of the Exchange Act or the insider reporting and short-swing profit rules under Section 16 of the Exchange Act. Accordingly, the information about the Group available to investors will not be the same as the information available to holders of securities of a US company and may be reported in a manner that investors are not familiar with. In addition, for regulatory purposes, the Issuer currently prepares and will continue to prepare and make available to the Issuer’s shareholders statutory financial statements in accordance with UK GAAP, which differs from IFRS in a number of respects.

DESCRIPTION OF THE ISSUER

ABBEY NATIONAL TREASURY SERVICES PLC

Abbey National Treasury Services plc is a public limited liability company incorporated (on 24 January 1989) and registered in England and Wales under the Companies Act 1985 (registered number 2338548). The Issuer is incorporated in England and has its registered office at 2 Triton Square, Regent's Place, London NW1 3AN. The telephone number of the Issuer is +44 (0) 870 607 6000. The Issuer is regulated by the Prudential Regulation Authority and the Financial Conduct Authority and is an authorised person with permission to accept deposits under the FSMA.

The Issuer is a wholly-owned subsidiary of Santander UK. ANTS and its subsidiaries are part of Banco Santander, which is the ultimate parent company. The shares of ANTS are not traded on the London Stock Exchange.

Business Overview

ANTS provides treasury, corporate and wholesale banking services. ANTS provides these services to external UK clients and also to the wider Santander UK Group, of which ANTS is a significant part. ANTS is also the treasury support function for the Santander UK Group. In this regard, ANTS's role is to provide access to financial markets and central bank facilities in order to meet the Santander UK Group's liquidity, funding, capital and balance sheet management requirements. As such, ANTS is one of the main debt issuance vehicles in the Santander UK Group.

The management structure of the Issuer consists of three main business divisions, organised as follows:

(a) Corporate Banking

Corporate Banking offers a wide range of products and financial services to customers through a network of regional business centres and through telephony and e-commerce channels. Corporate Banking products and services include loans, bank accounts, deposits, treasury services, invoice discounting, cash transmission and asset finance.

The SME and Mid Corporate business principally serves small and medium enterprises with an annual turnover of more than £250,000 up to £50m ("**SME**s") and other corporate customers with an annual turnover of up to £500m. This also includes real estate lending.

The Large Corporates business offers specialist treasury services in fixed income and foreign exchange, lending, transactional banking services, capital markets and money markets to large multi-national corporate customers with an annual turnover of more than £500m. Lending includes syndicated loans and structured finance. Transactional banking includes trade finance and cash management. Money market activities include securities lending/borrowing and repos.

(b) Markets

Markets offers risk management and other services to financial institutions, as well as other Santander UK divisions. Its main product areas are fixed income and foreign exchange, equity, capital markets and institutional sales.

(c) Corporate Centre

Corporate Centre includes Financial Management and Investor Relations ("**FMIR**") and the non-core portfolios of social housing loans and structured credit assets. FMIR is responsible for managing capital and funding, balance sheet composition, structural market risk and strategic liquidity risk for the Santander UK Group. The non-core portfolios are being run-down and/or managed for value

As at the date hereof, the following are the members of the Board of Directors of the Issuer:

Position	Name	Other principal activities
Executive Director	Justo Gómez	Finance Director, Santander UK plc

Executive Director	David Green	Director of Financial Reporting and Accounting Finance, Santander UK plc
Executive Director	John Hennessy	None
Executive Director	Stephen Jones	Director of Santander UK plc
Executive Director	Stephen Pateman	Director of Santander UK plc; Director of Santander Lending Limited; Director of Liquidity Limited; and Chairman and Director of Santander Asset Management UK Limited.
Executive Director	Jacques Ripoll	None
Non-Executive Director	Jorge de la Vega	Head of Internal Governance and Control, Santander UK plc

The business address of each of the above is 2 Triton Square, Regent's Place, London NW1 3AN with telephone number +44 (0) 870 607 6000. None of the above has any activities outside the Group which are significant within the context of the Group.

Conflicts of Interest

There are no actual or potential conflicts of interest between the duties to ANTS of the persons listed as members of the Board of Directors above and their private interests or other duties.

Corporate Governance

The Issuer complies with the requirements of the United Kingdom's corporate governance regime to the extent applicable to it.

Credit Ratings of the Issuer

(a) Moody's

Range of Rating Agency Ratings

Long-term ratings: Aaa (highest) to C (lowest)

Moody's long-term obligation ratings are divided into several categories ranging from "Aaa", reflecting the highest quality with minimal credit risk, over categories "Aa", "A", "Baa", "Ba", "B", "Caa", "Ca" to category "C", reflecting the lowest rated obligations which are typically in default with little prospect for recovery of principal or interest. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from "Aa" through "Caa". The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Short term ratings: P-1 (highest) to NP (lowest), with ratings P-1, P-2 and P-3 being "Prime" rating categories.

Moody's short-term ratings are divided into several categories ranging from "P-1", reflecting a superior ability of an Issuer to repay short-term debt obligations, over categories "P-2" and "P-3" to category "NP", reflecting that an Issuer does not fall within any of the Prime rating categories.

Long-term Issuer Credit Rating

A2

Obligations rated "A" are considered by Moody's to be of upper medium grade and are subject to low credit risk. The modifier "2" indicates a mid-range ranking in the "A" rating category.

Short-term Issuer Credit Rating	P-1 Issuers rated Prime-1 have a superior ability to repay short-term debt obligations.

(b) Fitch

Range of Rating Agency Ratings	Long-term ratings: AAA (highest) to D (lowest) Fitch's long-term ratings are divided into several major categories ranging from "AAA", reflecting the highest credit quality, over categories "AA", "A", "BBB", "BB", "B", "CCC, CC, C" to category "DDD, DD, D", reflecting that an obligor has defaulted on some or all of its obligations. The modifiers "+" or "-" may be appended to a rating to denote the relative status within major rating categories. Such suffixes are not added to the "AAA" category or to categories below "B". Short term ratings: F1 (highest) to D (lowest) Fitch's short-term ratings are divided into several categories ranging from "F1", reflecting the highest credit quality, over categories "F2", "F3", "B", "C" to category "D" which denotes a broad-based default event for an entity, or the default of a short-term obligation.
Long-term Issuer Credit Rating	A "A" ratings denote Fitch expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
Short-term Issuer Credit Rating	F1 "F1" ratings indicate the strongest intrinsic capacity for timely payment of financial commitments.

The information provided in relation to the credit rating of Abbey National Treasury Services plc should be read in conjunction with the risk factor headed "Rating Agency Credit Ratings".

DESCRIPTION OF THE GUARANTOR AND THE GROUP

SANTANDER UK PLC AND THE GROUP

Background

Santander UK plc was formed as a building society in 1944 and is now a public limited liability company incorporated and registered in England and Wales under the Companies Act 1985. It was incorporated on 12 September 1988 with registered number 2294747.

The principal executive office and registered office of Santander UK is at 2 Triton Square, Regent's Place, London, NW1 3AN. The telephone number of Santander UK is +44 (0) 870 607 6000.

As at the date of this Prospectus, shares in Santander UK plc are beneficially owned by Santander UK Group Holdings Limited, which is a directly owned subsidiary of Banco Santander, S.A. and its indirect wholly owned subsidiary company Santusa Holding, S.L. Legal ownership of shares in Santander UK plc will transfer from Banco Santander, S.A. and Santusa Holding, S.L. to Santander UK Group Holdings Limited upon receipt of stamped stock transfer forms from the Stamp Office.

Corporate Purpose

Santander UK's purpose is to be the best bank in the United Kingdom, supporting the financial needs of individuals, families and businesses. By drawing on its mutual building society heritage and the expertise of its parent, a leading global commercial bank, Santander UK is driving a commercial transformation that will deliver even greater value to its customers and make it the bank of choice for SMEs in the UK.

Business and Support Divisions

Santander UK, headed by Ana Botín, Chief Executive Officer, operates four business divisions as follows:

Retail Banking

Retail Banking offers a wide range of products and financial services to customers through a network of branches, agencies and ATMs, as well as through, telephony, e-commerce and intermediary channels. It principally serves personal banking customers, but also services small businesses with a turnover of less than £250,000 per annum. Retail Banking products include residential mortgage loans, savings and current accounts, credit cards (excluding the co-brand credit card business) and personal loans as well as a range of insurance products.

Corporate Banking

Corporate Banking offers a wide range of products and financial services to customers through a network of regional business centres and through telephony and e-commerce channels. Corporate Banking products and services include loans, bank accounts, deposits, treasury services, invoice discounting, cash transmission and asset finance.

The SME and mid corporate business principally serves small and medium enterprises with an annual turnover of more than £250,000 up to £50m ("**SME**s"), and other corporate customers with an annual turnover of up to £500m. This also includes real estate lending.

The Large Corporates business offers specialist treasury services in fixed income and foreign exchange, lending, transactional banking services, capital markets and money markets to large multinational corporate customers with an annual turnover of more than £500m. Lending includes syndicated loans and structured finance. Transactional banking includes trade finance and cash management. Money market activities include securities lending/borrowing and repos.

Markets

Markets offers risk management and other services to financial institutions, as well as other Santander UK divisions. Its main product areas are fixed income and foreign exchange, equity, capital markets and institutional sales.

Corporate Centre

Corporate Centre includes Financial Management & Investor Relations ("**FMIR**") and the non-core corporate and legacy portfolios as well as the co-brand credit card business. FMIR is responsible for managing capital and funding, balance sheet composition, structural market risk and strategic liquidity risk for Santander UK. The non-core corporate and legacy portfolios include aviation, shipping, infrastructure, commercial mortgages, social housing loans and structured credit assets, all of which are being run-down and/or managed for value. Deals to sell the co-brand credit cards were completed in the first half of 2013.

The business segments detailed above are supported by various divisions including:

- ***Retail Products and Marketing*** - responsible for developing Santander UK's products, marketing and brand communications to serve customers better.
- ***Manufacturing*** - responsible for all information technology and operations activity, including service centres.
- ***Risk*** - responsible for ensuring that Santander UK is provided with an appropriate risk policy and control framework, and to report any material risk issues to the Board Risk Committee and the Board.
- ***Internal Audit*** - responsible for supervising the compliance, effectiveness and efficiency of Santander UK's internal control systems for the management of its risks.
- ***People & Talent*** – responsible for delivering the human resources strategy and personnel support.

In addition there are a number of corporate units including; (1) Financial Control; (2) Legal and Secretariat; (3) Strategy; (4) Internal Control and Compliance; (5) Regulatory Affairs and Pensions; (6) Customer Experience; (7) Communications; and (8) Santander Universities in the UK.

Directors of Santander UK plc

The following table sets forth the directors of Santander UK plc.

Position	Name	Other principal activities
Chairman	Lord Terence Burns	Non-Executive Director of Banco Santander, S.A.; Chairman of Channel 4 Television Corporation; Member of House of Lords; Chairman of the Royal Academy of Music's Governing Body; Non-Executive Member of the Office of Budget Responsibility; and Member of the Whistleblowing Commission.
Deputy Chairman and Non-Executive Director	Juan Rodriguez Inciarte	Director of Santander Consumer Finance, S.A.; Executive Director of Banco Santander, S.A.; Director of Banco Banif, S.A.; Member of Banco Santander International Advisory Board; Chairman of the US-Spain Council; Member of the Spain-Japan Council Foundation; Member of the Board of Trustees of the Carlos V International Centre of the Autonomous; University of Madrid; and Fellow of The Chartered Institute of Bankers in Scotland.

Executive Director and Chief Executive Officer	Ana Botín	Executive Director of Banco Santander, S.A.;President of Ingenería de Software Bancario, S.L.; Trustee of Marclino Botín Foundation; Vice Chairperson of Empresa y Crecimiento Foundation; Member of Trilateral Commission; Member of Conocimiento y Deserrollo Foundation; Member of the International Advisory Board of the NYSE; Member of the International Advisory Board of the Inter-American Development Bank; Trustee of the Mayor's Fund for London; Member of the Empieza por Educar Foundation; Member of Advisory Board, Deusto Business School; Member of Advisory Board, INSEAD; Member of Advisory Board, Said Business School; Member of the EuroAmerica Foundation; and Non-Executive Director of The Coca Cola Company.
Executive Director and Chief Risk Officer	Jose Maria Nus	Member of Banesto Foundation; Member of Spanish Governmental Observatory for Multi-nationals; Member of Catalan Economic Society; and Director of Unitaria Immobiliaria, S.A.
Executive Director and Head of UK Banking	Stephen Pateman	Director of Abbey National Treasury Services plc; Director of Santander Lending Limited (formerly Mitre Capital Partners Limited); Director of Liquidity Limited; and Chairman and Director of Santander Asset Management UK Limited.
Executive Director and Chief Financial Officer	Stephen Jones	Abbey National Treasury Services plc
Non-Executive Directors	Rosemary Thorne	Non-Executive Director of Smurfitt Kappa Group plc.
	Roy Brown	None
	José María Carballo	Chairman of La Unión Résinera Española; Chairman of Vista Desarrollo; Director of Vista Capital Expansión S.A. S.G.E.C.R.; Director of Santander Real State, S.A.; Director of Teleférico Pico del Teide, S.A; and

	Member of the Iberoamerican Benevolent Society
José Maria Fuster	Chief Information Officer of Banco Santander, S.A.; Non-Executive Director of Banco Español de Crédito, S.A. ("Banesto"); Director of Santander Consumer Holdings GmBH; Director of Ingeniería de Software Bancario, S.L.; Managing Director, Banco Santander Group Technology and Operations; and Director of Grupo Santander Holdings USA, Inc.
Bruce Carnegie-Brown	Chairman of Aon UK Limited; Senior Independent Director of Close Brothers Group plc; Senior Independent Director of Catlin Group Limited; Non-Executive Director of Moneysupermarket.com Group plc; and Trustee of Shakespeare's Globe Trust.
Antonio Escámez Torres	Chairman of Fundación Banco Santander; Member of Banco Santander International Advisory Board; Chairman of Santander Consumer Finance, S.A.; Chairman of Openbank, S.A.; Chairman of Arena Media Communications Espana, S.A.; Chairman of Grupo Konnectanet S.L.; Chairman of the Spain-India Council Foundation; and Vice-Chairman of Attijariwafa Bank.
Michael Amato	President and Chief Executive of Cimarron Inc.
Alain Dromer	Director of Moody's Investors Service Limited; Independent Member of the Beirat of Moody's Deutscheland GmbH; Independent Member of the Supervisory Board of Moody's France SAS; Director of Majid Al Futtaim Trust LLC; and Owner of Alain Dromer Advisory SPRL.
Scott Wheway	Non-Executive Director of Aviva plc.
Manuel Soto	Director of Cartera Industrial Rea, S.A.; Member of the Board of Superintendence of Istituto per le Opere di Religione; Member of the Board, Grupo Lar Inversiones Inmobiliarias, S.A.; Member of Advisory Board, Grupo Barceló; Member of Advisory Board, N+1 Mercapital; and Member of Advisory Board, Befesa Medio Ambiente, S.A.

Santander UK plc announced on 11 December 2013 that, subject to regulatory approval, Nathan Bostock will be appointed as Chief Risk Officer and Deputy Chief Executive Officer to Ana Botín and will join the Board of Santander UK plc as an Executive Director, and Jose Maria Nus, the current Chief Risk Officer and Executive Director of Santander UK plc, is returning to Spain to a senior role at Banco Santander, S.A. where he is a Senior Executive Vice-President.

The business address of each of the directors is 2 Triton Square, Regent's Place, London NW1 3AN with telephone number +44 (0) 870 607 6000.

Conflicts of Interest

There are no potential conflicts of interest between the duties to the Guarantor of the persons listed under "*Directors of Santander UK plc*" above and their private interests and/or other duties.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the Central Bank of Ireland or filed with another competent authority for the purposes of the Prospectus Directive, shall be deemed to be incorporated in, and to form part of, this Base Prospectus and approved by the Central Bank of Ireland for the purpose of the Prospectus Directive:

(1) the:

(i) information specified beneath the heading "The structural relationship of ANTS and Santander UK with the Banco Santander group – the 'subsidiary model'" on page 3;

(ii) "Risk Management Report" on pages 15 to 50 (inclusive) except for the section marked as unreviewed on page 16;

(iii) "Independent Review Report to Abbey National Treasury Services plc", the unaudited condensed consolidated interim financial statements and the shareholder information on pages 53 to 85, except for the sections marked as unreviewed on pages 28 and 29 and the Non-Financial Risks sections on pages 34 to 38 (inclusive);

in each case, of the Issuer's unaudited Half Yearly Financial Report for the six months ended 30 June 2013 (the "**Half Yearly Financial Report of the Issuer**") (available at: http://www.aboutsantander.co.uk/media/71113/ants%202013%20half%20yearly%20financial%20report.pdf);

(2) the:

(i) Issuer's audited consolidated annual financial statements for the financial year ended 31 December 2012, which appear on pages 110 to 189;

(ii) Issuer's audited risk management report which appears on pages 28 to 98, except as marked unaudited in the Non-Financial Risks sections on pages 79 to 83 and on pages 29, 36, 38, 39, 65 and 66;

(iii) section entitled "Sources and uses of funding and liquidity" on page 25;

(iv) section entitled "Material Contracts" on page 206;

in each case, of the Issuer's Annual Report and Accounts for the year ended 31 December 2012 (available at: http://www.aboutsantander.co.uk/media/64621/ants%202012%20annual%20report.pdf);

(3) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2011, which appear on pages 11 to 120 of the Issuer's Annual Report and Accounts for the year ended 31 December 2011 (available at: http://www.aboutsantander.co.uk/media/64609/staticbs-2011.pdf);

(4) the unaudited quarterly management statement of the Guarantor for the nine months ended 30 September 2013 (with the exception of the introductory quotation on page 2) (available at: http://www.aboutsantander.co.uk/media/73102/qms_sept13_final.pdf);

(5) the:

(i) information specified beneath the heading "The structural relationship of Santander UK within the Banco Santander Group – the 'Subsidiary Model'" on page 4;

(ii) "Risk Management Report" on pages 36 to 95 (inclusive), except for the section marked as unreviewed on page 37;

(iii) "Independent Review Report to Santander UK plc", the unaudited condensed consolidated interim financial statements and the shareholder information which appear on pages 97 to 138 except the sections marked as unreviewed on pages 66 and 67 and the Non-Financial Risks sections on pages 73 to 77 (inclusive);

in each case, of the Guarantor's unaudited Half Yearly Financial Report for the six months ended 30 June 2013 (available at: http://www.aboutsantander.co.uk/media/70934/santander%20uk%202013%20half%20yearly%20financial%20report.pdf);

(6) the:

(i) Guarantor's audited consolidated annual financial statements for the financial year ended 31 December 2012, which appears on pages 199 to 309;

(ii) Guarantor's audited risk management report which appears on pages 62 to 162, except as marked unaudited in the Non-Financial Risks sections on pages 135 to 139 and on pages 63, 70, 71, 73, 119 and 120;

(iii) Guarantor's audited information in the "Directors' Report" on pages 184 and 185;

(iv) section entitled "UK Government Schemes" on pages 57 and 58;

(v) section entitled "Material Contracts" on page 326;

in each case, of the Guarantor's Annual Report and Accounts for the year ended 31 December 2012 (available at: http://www.aboutsantander.co.uk/media/60057/santander%20uk%202012%20annual%20report.pdf);

(7) the:

(i) audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2011, which appear on pages 157 to 274 and pages 62 to 135 except the Operational Risk and Other Risks sections on pages 128 to 134;

(ii) audited information in the Balance Sheet Business Review on pages 44 to 48;

(iii) audited information titled "FSA Remuneration Disclosures" on pages 152 to 156;

(iv) section entitled "Bank of England Special Liquidity Scheme" on page 58;

(v) audited information in the Directors' Report on pages 143 to 145;

in each case, of the Guarantor's Annual Report and Accounts for the year ended 31 December 2011 (available at: http://www.aboutsantander.co.uk/media/42133/2011%20annual%20report%20on%20form%2020-f.pdf);

provided also that any statement contained in a document, all or the relevant portion of which is incorporated by reference herein, shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in this Base Prospectus 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 Base Prospectus.

In addition to the above, the following terms and conditions shall be incorporated by reference in, and form part of, this Base Prospectus:

(8) the Terms and Conditions set out on pages 59 to 168 of the Base Prospectus dated 28 March 2007 relating to the Issuer's Structured Note Programme;

(9) the Conditions set out on pages 149 to 280 of the Base Prospectus dated 26 March 2008 relating to the Issuer's Structured Note Programme;

(10) the Conditions set out on pages 147 to 297 of the Base Prospectus dated 26 March 2009 relating to the Issuer's Structured Note Programme;

(11) the Conditions set out on pages 155 to 315 of the Base Prospectus dated 14 April 2010 relating to the Issuer's Structured Note Programme;

(12) the Conditions set out on pages 109 to 292 of the Prospectus dated 12 April 2011 relating to the Issuer's Structured Note Programme;

(13) the Conditions set out on pages 82 to 299 of the Prospectus dated 5 April 2012 relating to the Issuer's Note, Certificate and Warrant Programme; and

(14) the Conditions set out on pages 96 to 226 of the Base Prospectus dated 21 February 2013 relating to the Issuer's Note, Certificate and Warrant Programme.

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

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 Base Prospectus to the extent that a subsequent statement which is deemed to be incorporated by reference herein or contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise), (provided, however, that such statement shall only form part of the Base Prospectus to the extent that it is contained in a document, all or the relevant portion of which is incorporated by reference by way of a supplement produced in accordance with Article 16 of the Prospectus Directive). Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Base Prospectus.

Copies of the documents incorporated by reference in this Base Prospectus, listed at (1) to (14) above will be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Issuer and the Guarantor and at the specified offices of the Paying Agents.

Copies of the documents incorporated by reference in this Base Prospectus, listed at (8) to (14) above are available at: http://www.aboutsantander.co.uk/investors/debt-investors/abbey-omnibus-programme.aspx.

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

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Securities, prepare a supplement to this Base Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Securities.

GENERAL DESCRIPTION OF THE PROGRAMME

The following general description does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Securities, the applicable Final Terms (or, in the case of Exempt Securities, the applicable Pricing Supplement). The Issuer, the Guarantor and any relevant Dealer may agree that Securities may be issued in a form other than that contemplated in the Terms and Conditions, in which event, other than where Securities are Exempt Securities, a new Prospectus or a supplement to this Base Prospectus will be published which will describe the effect of the agreement reached in relation to such Securities.

Words and expressions defined in "*Form of the Securities*", the "*Terms and Conditions of the N&C Securities*" and the "*Terms and Conditions of the Warrants*" shall have the same meanings in this General Description.

Issuer and Guarantor

Abbey National Treasury Services plc (the "**Issuer**") may from time to time under the Programme issue notes ("**Notes**"), redeemable certificates ("**Certificates**" and together with the Notes, the "**N&C Securities**"), and warrants ("**Warrants**" and together with the N&C Securities, the "**Securities**"). Securities issued by Abbey National Treasury Services plc under the Programme will be unconditionally and irrevocably guaranteed by Santander UK plc (the "**Guarantor**").

Programme Authorisation

The Programme and the issue of Securities had been duly confirmed and authorised by a resolution of the Board of Directors of Abbey National Treasury Services plc dated 28 February 2013 and a funding and programme approval and authorisation in respect of Abbey National Treasury Services plc given by two Directors of Santander UK plc dated 7 January 2014. The giving of the guarantee of the Securities by Santander UK plc had been duly authorised by a resolution of the Board of Directors of Santander UK plc dated 26 February 2013 and a funding and programme approval and authorisation in respect of Santander UK plc given by two Directors of Santander UK plc dated 7 January 2014.

Programme Size

The maximum aggregate outstanding nominal amount of all N&C Securities and aggregate issue prices of outstanding Warrants from time to time issued under the Programme will not exceed €10,000,000,000 (or its equivalent in other currencies calculated as described herein) less the aggregate outstanding nominal amount of all N&C Securities and aggregate issue prices of outstanding Warrants from time to time issued under the Issuer's Global Structured Solutions Programme described in the Base Prospectus dated 5 April 2013 (as revised, supplemented or amended from time to time) approved by the Euro MTF Market of the Luxembourg Stock Exchange and the Global Exchange Market of the Irish Stock Exchange, subject to increase as described herein.

Listing and Admission to Trading

Securities may be:

(a) listed on the Official List of the Irish Stock Exchange (the "**Official List**") and admitted to trading on the regulated market of the Irish Stock Exchange;

(b) listed on the Official List of the United Kingdom Listing Authority and admitted to trading on the Regulated Market of the London Stock Exchange;

(c) included to trading on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange (Börse Frankfurt Zertifikate AG platform);

(d) listed or admitted, as the case may be, on other or further stock exchange(s) or markets as indicated in the applicable Issue Terms in relation to each Series; or

(e) neither listed nor admitted to trading on any market.

The applicable Issue Terms will state whether or not the relevant Securities are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

The listing of Securities on the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest) in the case of N&C Securities and by their amount in the case of Warrants. It is expected that each Tranche of Securities which is to be admitted to listing on the Official List of the Irish Stock Exchange or United Kingdom Listing Authority and to trading on the Irish Stock Exchange's or the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a Global Security or Securities initially representing the Securities of such Tranche. Application has been made to the Irish Stock Exchange for Securities issued under the Programme to be admitted to the Official List and for such Securities to be admitted to trading on the Irish Stock Exchange's regulated market. Application will be made to the UK Listing Authority for Securities issued under the Programme to be admitted to the Official List of the United Kingdom Listing Authority and to the London Stock Exchange for such Securities to be admitted to trading on the London Stock Exchange's regulated market. The listing on the Irish Stock Exchange of the Programme in respect of Securities is expected to be granted on or around 28 January 2014.

Passporting

In accordance with Article 18 of the Prospectus Directive, the Issuer may request that the Central Bank of Ireland provide the competent authority of (i) the United Kingdom, the Financial Conduct Authority, (ii) Austria, the Austrian Financial Markets Authority (*Finanzmarkaufsicht*) and (iii) Germany, the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*), with a certificate of approval attesting that the Base Prospectus of each of the Issuer and the Guarantor has been drawn up in accordance with the Prospectus Directive.

Types of Securities

Subject to compliance with all relevant laws, regulations and directives, the Securities that may be issued under the Programme may be Securities where the interest payment, the redemption amount or amount to be paid or delivered on settlement is linked to:

(a) a share or a depositary receipt representing a share or a basket of shares or depository receipts ("**Equity Linked Securities**");

(b) an equity index or a basket of equity indices, an exchange traded fund or a basket of such funds ("**Equity Index/ETF Linked Securities**");

(c) an inflation index or a basket of inflation indices ("**Inflation Index Linked Securities**");

(d) a property index or a basket of property indices ("**Property Index Linked Securities**"); or

(e) any combination of any of the above ("**Cross-Asset Linked Securities**").

Investors must review the Payout Annex together with the relevant Issue Terms to ascertain how the performance of the Reference Item(s) will affect the amount(s) payable and/or deliverable on the Securities.

In the case of N&C Securities, unless the relevant N&C Securities are Exempt N&C Securities, the N&C Securities may be redeemed at par or may be Variable Redemption N&C Securities and, if the N&C Securities are interest bearing, may be Fixed Rate N&C Securities, Floating Rate N&C Securities, Zero Coupon N&C Securities, Partial Redemption N&C Securities or Variable Interest Rate N&C Securities.

In the case of Warrants, unless the relevant Warrants are Exempt Warrants, the Warrants will be Variable Settlement Warrants.

Settlement

Settlement of the Securities may be by way of cash or, in the case of Exempt Securities only, by physical delivery of the relevant Asset Amount or Entitlement as specified by the applicable Pricing Supplement and/or the Conditions. Securityholders may be required to pay certain expenses in relation to Exempt Securities subject to physical delivery, which may be reflected by way of a deduction of such expenses from the Asset Amount or Entitlement to be delivered.

Prospective investors must review the Payout Annex (for Non-Exempt N&C Securities and Non-Exempt Warrants) together with the applicable Final Terms to ascertain what the Reference Items are and the Conditions and the applicable Final Terms to see how the Cash Settlement Amount, Final Redemption Amount, Early Redemption Amount or the Asset Amount or Entitlement, as the case may be, and any periodic interest payments are determined and when such amounts are payable and/or deliverable, as the case may be, before making any decision to purchase any Securities.

Distribution

Securities may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

No offers, sales, resales or deliveries of any Securities or distribution of any offering material relating to any Securities, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and which will not impose any obligation on the Issuer or the Guarantor.

As a result of the restrictions set out in the section of this Base Prospectus entitled "*Subscription and Sale*" on page 326, purchasers of Securities are advised to consult legal or other expert advisors prior to making any purchase, offer, sale, resale or other transfer of such Securities.

Form of Securities

The N&C Securities of each Series will initially be represented by a global security in bearer form.

Bearer N&C Securities will be issued outside the United States in reliance on Regulation S.

Immobilised Bearer N&C Securities will be issued through Citibank, N.A., London Branch in its capacity as Book-Entry Depositary pursuant to an N&C Securities Depositary Agreement dated on or about the date of this Base Prospectus and may not at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, a U.S. person, as described in "*Form of the Securities*".

The Warrants will be represented by a Permanent Global Warrant in registered form which will be held by a common depositary for Euroclear and Clearstream, Luxembourg and will be registered in its name. Payments in respect of the Warrants represented thereby will be made by or on behalf of the Issuer to the common depositary as registered holder. Any such payments will discharge the Issuer's obligations in respect thereof. Definitive Warrants will not be issued.

CREST Depository Interests

If CREST Depository Instruments are specified in the Issue Terms, investors may hold indirect interests in the N&C Securities (such N&C Securities being "**Underlying Securities**") through CREST (being the system for the paperless settlement of trades and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited or any successor thereto in accordance with the United Kingdom Uncertificated Securities Regulations 2001) by holding dematerialised depository interests ("**CREST Depository Interests**").

CREST Depository Interests are independent securities constituted under English law issued, held, settled and transferred through Euroclear UK and Ireland Limited (formerly known as CRESTCo Limited) ("**CREST**"). CREST Depository Interests are issued by CREST Depository Limited or any successor thereto (the "**CREST Depository**") pursuant to the global deed poll dated 25 June 2001 (in the form contained in Chapter 3 of the CREST International Manual (which forms part of the "**CREST Manual**")) (as subsequently modified, supplemented and/or restated) (the "**CREST Deed Poll**").

CREST Depository Interests represent indirect interests in the Underlying Securities to which they relate and holders of CREST Depository Interests will not be the legal owners of the Underlying Securities. Holders of CREST Depository Instruments will not be entitled to deal directly in the N&C Securities and, accordingly, all dealings in the N&C Securities will be effected through CREST in relation to the holding of CREST Depository Interests.

The Underlying Securities (as distinct from the CREST Depository Interests representing indirect interests in such Underlying Securities) will be held in an account with a custodian. The custodian will hold the Underlying Securities through the relevant

Clearance System. Rights in the Underlying Securities will be held through custodial and depositary links through the relevant Clearance System. The legal title to the Underlying Securities or to interests in the Underlying Securities will depend on the rules of the relevant Clearance System in or through which the Underlying Securities are held.

CREST International Nominees Limited or another entity appointed to act as nominee in accordance with the CREST Deed Poll (the "**CREST Nominee**") will hold the legal title to the Underlying Securities and the direct enforcement right in respect of the Underlying Securities. This could result in a holder of CREST Depository Interests receiving less than, or none of, the full amount payable in respect of the Underlying Securities in the event of any insolvency or liquidation of any relevant intermediary, in particular where the Underlying Securities 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 holders of CREST Depository Interests in respect of their indirect interests in the relevant N&C Securities will be governed by the arrangements between CREST and Euroclear Bank S.A., Euroclear Bank N.V. and/or Clearstream Banking, SA, Luxembourg or any other clearing system specified in the Issue Terms in respect of the relevant N&C Securities in which the Underlying Securities are held, including the CREST Deed Poll executed by the CREST Depository. These rights are different from those of holders of N&C Securities which are not represented by CREST Depository Interests.

CREST Depository Interests are further described in the section entitled "*Book-Entry Clearance Systems and Settlement*".

Governing Law

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

GENERAL TERMS AND CONDITIONS OF THE N&C SECURITIES

*The following general terms and conditions (the "**N&C Security Conditions**"), together with the Annex(es) (if applicable), are the terms and conditions (collectively, the "**Conditions**") of the N&C Securities which will be incorporated by reference into each Global N&C Security (as defined below) and each definitive N&C Security, 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 Dealer at the time of issue but, if not so permitted and agreed, such definitive N&C Security will have endorsed thereon or attached thereto such Conditions. The applicable Pricing Supplement in relation to any Tranche of Exempt N&C Securities (as defined below) will complete and supplement the Conditions in relation to each such Tranche of N&C Securities and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, together with the Annex(es) (if applicable), replace or modify the following Conditions for the purpose of such N&C Securities. The applicable Final Terms (or the relevant provisions thereof) or the applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global N&C Security and definitive N&C Security. In the case of Non-Exempt N&C Securities (as defined below), reference should be made to the "applicable Final Terms" for a description of the content of the applicable Final Terms which will specify which of such terms are to apply in relation to the relevant N&C Securities. References in these Conditions to "**Final Terms**" or "**Pricing Supplement**" shall mean a tranche of N&C Securities issued pursuant to this Base Prospectus and references to "**Issue Terms**" shall mean either (i) in respect of Non-Exempt N&C Securities, the applicable Final Terms or (ii) in respect of Exempt N&C Securities, the applicable Pricing Supplement, and should be construed accordingly.*

This N&C Security is one of a Series of N&C Securities (such N&C Securities being referred to hereinafter as "**N&C Securities**") issued by Abbey National Treasury Services plc (the "**Issuer**", which expression shall include any substitute pursuant to N&C Security Condition 15 (Substitution) below) pursuant to an Agency Agreement (as defined below). N&C Securities will be either notes ("**Notes**") or redeemable certificates ("**Certificates**"), as specified in the applicable Issue Terms, and references in these Terms and Conditions to "**N&C Security**", "**N&C Securities**", "**Note**", "**Notes**", "**Certificate**" or "**Certificates**" will be construed accordingly. This N&C Security is one of a Series (as defined below) of securities issued by the Issuer.

References herein to the "**N&C Securities**" shall be references to the N&C Security of this Series and shall mean:

1. in relation to any N&C Security(ies) represented by a global N&C Security in bearer form (a "**Global N&C Security**" (which includes any Bearer Global N&C Security and any Immobilised Bearer Global N&C Security (as defined below)):

   (c) in the case of N&C Securities issued by nominal amount, units of each Specified Denomination in the Specified Currency of the applicable N&C Securities, each as specified in the applicable Issue Terms; and

   (d) in the case of N&C Securities issued by unit, each unit of applicable N&C Securities;

2. any Global N&C Security;

3. any certificated depositary interests (in the case of Immobilised Bearer Global N&C Securities (as defined below) to be settled through Euroclear and/or Clearstream, Luxembourg) ("**CDI**s" (as further defined in N&C Security Condition 1.6 below));

4. any Book Entry Interest (as defined in N&C Security Condition 1.6);

5. any definitive N&C Securities in bearer form ("**Definitive Bearer N&C Securities**") issued in exchange for a Bearer Global N&C Security; and

6. any definitive N&C Securities in registered (or inscribed) form ("**Definitive Registered N&C Securities**").

The N&C Securities, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated agency agreement dated on or about 28 January 2014 (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer, Santander UK plc (the "**Guarantor**") as guarantor, Citibank, N.A., London as issuing and principal paying agent and transfer agent (the "**Principal Paying Agent**", which expression shall include any additional or successor agent acting in such capacities) and exchange agent (the "**Exchange Agent**" which

expression shall include any additional or successor exchange agents), Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**", which expression shall include any additional or successor registrar) and as transfer agent (the "**Transfer Agent**", which expression shall include the Principal Paying Agent in its capacity as a transfer agent and any additional or successor transfer agents) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**"). The Principal Paying Agent, the Registrar, the Paying Agents, the Transfer Agent, the Exchange Agent and the Calculation Agent are together referred to as the "**Agents**".

References to "**Calculation Agent**" are to the entity specified as such in the applicable Issue Terms or any successor in such capacity.

The Issuer's obligations in respect of this N&C Security have been guaranteed by the Guarantor pursuant to a guarantee (such guarantee, as modified, supplemented and/or restated from time to time, the "**Guarantee**") dated 21 February 2013 and executed by the Guarantor. The original Guarantee is held by the Principal Paying Agent at its specified office.

The issue terms for this N&C Security (or the relevant provisions thereof) are set out in Part A of the Final Terms (or Pricing Supplement, in the case of Exempt N&C Securities) attached to or endorsed on this N&C Security which supplement these General Terms and Conditions of the N&C Securities (the "**Conditions**", which term shall include one or more Annex(es) in the form annexed hereto (each an " **Annex**") if specified as applicable herein and/or in such Issue Terms) and, if the N&C Security is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an "**Exempt N&C Security**"), may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify the Conditions for the purposes of this N&C Security. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) to the extent implemented in a 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. Any references to a "**Non-Exempt N&C Security**" are to a N&C Security that is not an Exempt N&C Security. References to the "**applicable Issue Terms**", "**applicable Final Terms**" or "**applicable Pricing Supplement**", as the case may be, are, unless otherwise stated, to Part A of the Final Terms or the Pricing Supplement, as appropriate, (or the relevant provisions thereof) attached to or endorsed on this N&C Security. Interest bearing Definitive Bearer N&C Securities have interest coupons ("**Coupons**") and in the case of N&C Securities which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference in these Conditions to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer N&C Securities repayable in instalments (which N&C Securities may only be Exempt N&C Securities and/or Partial Redemption N&C Securities) have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Definitive Registered N&C Securities and Global N&C Securities do not have Receipts, Coupons or Talons attached on issue.

Any reference to "**N&C Securityholders**" or "**holders**" in relation to any N&C Securities shall mean the holders of the relevant N&C Security, as applicable, and shall, in relation to any N&C Securities represented by a Global N&C Security, be construed as provided below. Any reference herein to "**Receiptholders**" shall mean the holders of the Receipts and any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means N&C Securities which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of N&C Securities together with any further Tranche or Tranches of N&C Securities 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 N&C Securityholders, the Receiptholders and the Couponholders are entitled to the benefit of the deed of covenant (such deed of covenant as modified, supplemented and/or restated from time to time, the "**Deed of Covenant**") dated 21 February 2013 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear and Clearstream, Luxembourg (each as defined herein).

Copies of the Agency Agreement (which contains the form of the Guarantee and the Deed of Covenant) are available for inspection during normal business hours at the specified office of each of the Paying Agents. If the N&C Securities are to be admitted to trading on the regulated market of the Irish Stock Exchange or the London Stock Exchange plc the applicable Final Terms will be published

on the website of the Irish Stock Exchange or London Stock Exchange plc, as applicable (in the case of the London Stock Exchange plc through a regulatory information service). If an N&C Security is not so listed but is not an Exempt N&C Security the applicable Final Terms will be published on the website of the Central Bank of Ireland (www.centralbank.ie) as the competent authority of the home member state for such N&C Securities. If an N&C Security is an Exempt N&C Security, the applicable Pricing Supplement will only be obtainable by a holder holding one or more N&C Securities and such N&C Securityholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such N&C Securities and identity. The N&C Securityholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantee, the Deed of Covenant and the applicable Issue Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Issue Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Issue Terms, the applicable Issue Terms shall prevail. In the case of any inconsistency between any Annex(es) specified as applicable herein and/or in the applicable Issue Terms and other parts of these Conditions, the provisions of the applicable Annex(es) shall prevail unless otherwise specified herein. In the case of any inconsistency between the applicable Issue Terms and the Conditions, the applicable Issue Terms shall prevail.

1. FORM, DENOMINATION AND TITLE

1.1 FORM

Other than in the case of Book-Entry Interests, CDIs and Definitive Registered N&C Securities, the N&C Securities will be issued in bearer form in the currency (the "**Specified Currency**") and denominations (the "**Specified Denomination(s)**") specified in the applicable Issue Terms or (if so indicated in the applicable Issue Terms) in security units, and, in the case of definitive N&C Securities, serially numbered. N&C Securities of one Specified Denomination may not be exchanged for N&C Securities of another Specified Denomination. Unless otherwise specified in the applicable Issue Terms, the N&C Securities will be issued in classic global note ("**CGN**") form.

Each Tranche of N&C Securities in bearer form will be initially issued in the form of a temporary global security (a "**Temporary Bearer Global N&C Security**") or, if so specified in the applicable Issue Terms, a permanent global security (a "**Permanent Bearer Global N&C Security**" and, together with a Temporary Bearer Global N&C Security, a "**Bearer Global N&C Security**") which, in either case, will:

(a) if the Global N&C Securities are intended to be issued in new global note ("**NGN**") form, as stated in the applicable Issue Terms, be delivered on or prior to 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**"); or

(b) if the Global N&C Securities are intended to be issued in CGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for, Euroclear and Clearstream, Luxembourg.

Interests in N&C Securities issued as bearer securities in immobilised form ("**Immobilised Bearer N&C Securities**") of certain issues that may not at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, a U.S. person will initially be represented by a global security in bearer form (a "**Permanently Restricted Global N&C Security**" or a "**Immobilised Bearer Global N&C Security**").

The Immobilised Bearer Global N&C Securities will initially be issued in bearer form, without interest coupons, and title thereto will pass by delivery. If any Securities are issued as Immobilised Bearer Global N&C Securities, then the entire Series of which they form part will be issued as Immobilised Bearer Global N&C Securities. Pursuant to an amended and restated N&C securities depositary agreement (such agreement as amended and/or supplemented and/or restated from time to time, the "**N&C Securities Depositary Agreement**") dated on or around 28 January 2014 between the Issuer, Citibank N.A., London Branch (the "**Book-Entry Depositary**"), Citibank N.A., London Branch (the "**Custodian**") and Citigroup Global Markets Deutschland AG (the "**Registrar**"), the Immobilised Bearer Global N&C Securities of each Series will on

issue be deposited with the Book-Entry Depositary. Pursuant to the terms of the N&C Securities Depositary Agreement, the Book-Entry Depositary will hold any Immobilised Bearer Global N&C Security for the holders of the CDIs and owners of the Book-Entry Interests as bare trustee and the owners of the Book-Entry Interests will accordingly be tenants in common in respect of the CDIs to the extent of the Book-Entry Interests in respect of which they are owners. The Book-Entry Depositary shall have only those rights, discretions, duties, obligations and responsibilities expressly specified in the N&C Securities Depositary Agreement and the Conditions and, other than holding any Immobilised Bearer Global N&C Security as bare trustee, as aforesaid, does not assume any relationship of trust for or with the owners of the Book-Entry Interests or any other person. In particular, the Book-Entry Depositary may not extinguish, cancel or otherwise terminate this arrangement other than pursuant to the terms of the N&C Securities Depositary Agreement and the Conditions. Holders of Book-Entry Interests are deemed to have notice of and shall be bound by the terms of the N&C Securities Depositary Agreement.

1.2 Interest and Redemption

For any Non-Exempt N&C Security, the applicable Final Terms will specify whether such N&C Security is an Equity Linked N&C Security, an Equity Index/ETF Linked N&C Security, an Inflation Index Linked N&C Security, a Property Index Linked N&C Security, a Cross-Asset Linked N&C Security and/or a Partial Redemption N&C Security.

For any Non-Exempt N&C Security, such N&C Security may be a Fixed Rate N&C Security, a Floating Rate N&C Security, a Zero Coupon N&C Security or any other type of Variable Interest Rate N&C Security specified in the Payout Annex depending upon the N&C Coupon Payout extracted, included and completed in the applicable Final Terms and/or a Partial Redemption N&C Security, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms. This N&C Security may be a non-interest bearing N&C Security, if specified as such in the applicable Final Terms.

For any Non-Exempt N&C Security, such N&C Security may be also be a Variable Redemption N&C Security (as defined in the Payout Annex) depending upon the N&C Redemption Payout extracted, included and completed in the applicable Final Terms.

If the applicable N&C Security is an Exempt N&C Security, such N&C Security may be (i) a Fixed Rate N&C Security, (ii) a Floating Rate N&C Security, (iii) a non-interest bearing N&C Security, (iv) a Zero Coupon N&C Security, (v) a Dual Currency Interest N&C Security, (vi) a Variable Interest Rate N&C Security, or (vii) any one of an Equity Index/ETF Linked Interest N&C Security, an Equity Linked Interest N&C Security, an Inflation Index Linked Interest N&C Security, a Property Index Linked Interest N&C Security or a Partial Redemption N&C Security, or any other type of interest bearing N&C Securities or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

If the applicable N&C Security is an Exempt N&C Security, such N&C Security may also be designated in the applicable Pricing Supplement as (i) an Instalment N&C Security, (ii) a Dual Currency Redemption N&C Security, (iii) a Partly Paid N&C Security, (iv) a Variable Redemption N&C Security, or (v) any one of an Equity Index/ETF Linked Redemption N&C Security, an Equity Linked Redemption N&C Security, an Inflation Index Linked Redemption N&C Security, a Property Index Linked Redemption N&C Security, or any other type of redeemable N&C Securities or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Pricing Supplement.

1.3 Coupons attached

Definitive Bearer N&C Securities are issued with Coupons and, if applicable in the case of Exempt N&C Securities only, Receipts attached, unless they are Zero Coupon N&C Securities or non-interest bearing N&C Securities in which case references to Coupons and Couponholders in these Conditions are not applicable. For any Non-Exempt N&C Securities, settlement shall be by way of cash payment ("**Cash Settled N&C Securities**"). If the N&C Securities are Exempt N&C Securities, the applicable Pricing Supplement will indicate whether such N&C Securities are Cash Settled N&C Securities or whether settlement shall be by way of physical delivery ("**Physical Delivery N&C Securities**"). Any reference in these Conditions to Physical Delivery N&C Securities shall mean Exempt N&C Securities in respect of which an asset amount (being the number of underlying equity, bond, security or such other asset as may be specified in the applicable Pricing Supplement (the "**Relevant Asset(s)**") plus/minus any amount due to/from the N&C Securityholder in respect of each

Exempt N&C Security) is deliverable and/or payable by reference to one or more Relevant Assets as the Issuer and the relevant Dealer(s) may agree and as set out in the applicable Pricing Supplement.

If the N&C Securities are Exempt N&C Securities, the N&C Securities may, if specified in the applicable Pricing Supplement, allow N&C Securityholders upon redemption of such N&C Securities to elect for settlement by way of cash payment or by way of physical delivery or by such other method of settlement as is specified in the applicable Pricing Supplement. Those N&C Securities where the N&C Securityholder has elected for cash payment will be Cash Settled N&C Securities and those N&C Securities where the N&C Securityholder has elected for physical delivery will be Physical Delivery N&C Securities. The rights of an N&C Securityholder as described in this paragraph may be subject to the Issuer's right to vary settlement upon redemption of N&C Securities as indicated in the applicable Pricing Supplement.

1.4 Title to Definitive Bearer and Definitive Registered Securities

Subject as set out below, title to the Definitive Bearer N&C Securities, Receipts and Coupons will pass by delivery and title to the Definitive Registered N&C Securities will pass upon registration of transfers in the books of the Register, which is kept by the Registrar, in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor, and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Definitive Bearer N&C Security, Receipt or Coupon and the registered holder of any Definitive Registered N&C Security 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 N&C Security, without prejudice to the provisions set out in the next succeeding paragraph.

1.5 Title to Securities represented by a Bearer Global N&C Security

For so long as any of the N&C Securities is represented by a Bearer Global N&C Security held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount or number of units of such N&C Securities (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount or number of units of such N&C Securities 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 Guarantor and the Paying Agents as the holder of such nominal amount or number of units of such N&C Securities for all purposes other than with respect to the payment of principal or interest on such nominal amount or number of units of such N&C Securities, for which purpose the bearer of the relevant Bearer Global N&C Security shall be treated by the Issuer, the Guarantor and the Paying Agents as the holder of such nominal amount or number of units of such N&C Securities in accordance with and subject to the terms of the relevant Global N&C Security and the expressions "**N&C Securityholder**" and "**holder of N&C Securities**" and related expressions shall be construed accordingly.

N&C Securities which are represented by a Bearer Global N&C Security will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or any additional or alternative clearing system specified in Part B of the applicable Issue Terms or, in the case of Exempt N&C Securities only, as may be otherwise approved by the Issuer, the Guarantor, the Registrar and the Paying Agents (each a "**Clearance System**").

1.6 Title to Securities represented by an Immobilised Bearer Global N&C Security

In respect of Immobilised Bearer Global N&C Securities to be settled through Euroclear and/or Clearstream, Luxembourg ("**Permanently Restricted Immobilised Bearer N&C Securities**") which are deposited with the Book-Entry Depositary, the Book-Entry Depositary will issue registered certificated depositary interests ("**CDIs**") to a common depositary for Euroclear and Clearstream, Luxembourg, or its nominee, and will record the CDIs in the books and records of the Registrar in the name of the nominee of the common depositary. Ownership of interests in the Permanently Restricted Immobilised Bearer N&C Securities deposited with the Book-Entry Depositary (the "**Book-Entry Interests**") will be limited to persons with an account with Euroclear and/or Clearstream, Luxembourg or persons who may hold interests through such

participants. Book-Entry Interests will be shown on, and transfers thereof will be affected only through records maintained in book-entry form by Euroclear and/or Clearstream, Luxembourg and their participants.

2. TRANSFER

2.1 Transfers of interests in Immobilised Bearer Global N&C Securities

Transfers of Book-Entry Interests will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and in turn by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A Book-Entry Interest will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for registered N&C Securities in definitive form or for a Book-Entry Interest in another N&C Security only in the authorised denominations (in the case of N&C Securities) or number of security units (in the case of Certificates) set out in the applicable Issue Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

Pursuant to the N&C Securities Depositary Agreement, the Immobilised Bearer Global N&C Securities may be transferred only to a successor to the relevant Book-Entry Depositary.

Unless and until Book-Entry Interests are exchanged for Definitive Registered N&C Securities, the CDIs held by the common depositary or its nominee for Euroclear and Clearstream, Luxembourg may not be transferred except as a whole to a nominee or a successor approved by the Issuer.

Book-Entry Interests will be subject to certain restrictions on transfer and certification requirements and may bear a legend regarding such restrictions.

All transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream, Luxembourg will be effected by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, Luxembourg and their respective participants.

Book-Entry Interests in an Immobilised Bearer Global N&C Security may in certain circumstances be exchanged for Definitive Registered N&C Securities upon receipt by the Registrar of instructions from a Paying Agent. It is expected that such instructions of the Paying Agent will be based upon directions received by Euroclear or Clearstream, Luxembourg, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered N&C Securities issued in exchange for a Book-Entry Interest will, except as otherwise determined by the Issuer in compliance with applicable law, be subject to certain restrictions on transfer and certification requirements and may bear a legend regarding such restrictions.

2.2 Transfers of Definitive Registered N&C Securities

Subject as provided in N&C Security Conditions 2.4 (Costs of registration) and 2.5 (Transfers of interests in Book-Entry Interests) below, upon the terms and subject to the terms and conditions set forth in the Agency Agreement, a Definitive Registered N&C Security may be transferred in whole or in part in the authorised denominations set out in the applicable Issue Terms. In order to effect any such transfer:

(A) the holder or holders must:

(i) surrender the Definitive Registered N&C Security for registration of the transfer of the Definitive Registered N&C Security (or the relevant part of the Definitive Registered N&C Security) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and

(ii) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent; and

(B) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 8 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three (3) business days (being for the purposes of these Conditions a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Definitive Registered N&C Security for the same aggregate nominal amount or number of units as the Definitive Registered N&C Security (or the relevant part of the Definitive Registered N&C Security) transferred. In the case of a transfer of part only of a Definitive Registered N&C Security, a new Definitive Registered N&C Security in respect of the balance of the Definitive Registered N&C Security not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to such address as the transferor may request.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of N&C Securities under N&C Security Condition 7 (Redemption and Purchase), the Issuer shall not be required to register the transfer of any Definitive Registered N&C Security, or part of a Definitive Registered N&C Security, called for partial redemption.

2.4 Costs of registration

N&C Securityholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by normal uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

2.5 Transfers of interests in Book-Entry Interests

Transfers of Book-Entry Interests or of a beneficial interest in a Book-Entry Interest may not at any time be made to a transferee in the United States or to, or for the account or benefit of, a U.S. person and any offer, sale, resale, trade, pledge, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. Person will not be recognised.

2.6 Definitions

In this N&C Security Condition 2, "**United States**" means the United States of America, including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction.

3. STATUS OF THE N&C SECURITIES

The N&C Securities and the related Receipts and Coupons (if any) are direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves and (subject to any applicable statutory provisions or judicial order) at least equally with all other present and future direct, unconditional, unsecured and unsubordinated obligations of the Issuer.

4. STATUS OF THE GUARANTEE

The obligations of the Guarantor under the Guarantee are direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and rank *pari passu* with all present and future direct, unconditional, unsecured and unsubordinated obligations (including those arising under deposits received in its banking business) of the Guarantor, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.

Subject as provided below and in the Guarantee, the Guarantor has unconditionally and irrevocably:

(a) guaranteed to each N&C Securityholder all obligations of the Issuer in respect of such N&C Securityholder's N&C Securities as and when such obligations become due; and

(b) agreed that if and each time that the Issuer fails to satisfy any obligation under such N&C Securities as and when such obligation becomes due, the Guarantor will (without requiring the relevant N&C Securityholder first to take steps against the Issuer or any other person) make or cause to be made such payment or satisfy or cause to be satisfied such obligation punctually when and as the same shall become due and payable or due to be satisfied, as the case may be, as though the Guarantor were the principal obligor in respect of such obligation.

As more fully set forth in the Guarantee, the Guarantor shall at all times have the right, in its sole and unfettered discretion, to elect not to deliver or procure delivery of the Asset Amount (as specified in the applicable Pricing Supplement) to the holders of Physical Delivery N&C Securities when the same shall become due and deliverable, but in lieu thereof to make payment in respect of each Physical Delivery N&C Security to the holder(s) of such Physical Delivery N&C Security of an amount determined by the Guarantor in good faith and in a commercially reasonable manner to be equal to the fair market value of the assets to which the Asset Amount in respect of the relevant Exempt N&C Security(s) relates less such Exempt N&C Security(s)' *pro rata* share of the costs of unwinding any underlying related hedging and/or funding arrangements of the Issuer and/or Guarantor (the "**Guaranteed Cash Settlement Amount**"). Any payment of the Guaranteed Cash Settlement Amount in lieu of the relevant Asset Amount shall constitute a complete discharge of the Guarantor's obligations in respect of the relevant Exempt N&C Securities save as to any other cash amounts due in respect of such Exempt N&C Securities.

5. INTEREST

5.1 Interest Definitions

The applicable Issue Terms will indicate whether the N&C Securities are Variable Interest Rate N&C Securities of a type specified in the Payout Annex, Fixed Rate N&C Securities, Floating Rate N&C Securities, Zero Coupon N&C Securities or any combination of the foregoing. In the case of Exempt N&C Securities, the applicable Pricing Supplement will indicate the applicable interest basis.

Where the N&C Securities are specified to be Fixed Rate N&C Securities, the interest payable in respect of the N&C Securities will be calculated in accordance with N&C Security Condition 5.2 (Interest on Fixed Rate N&C Securities) below and/or the relevant provisions of the Payout Annex.

Where the N&C Securities are specified to be Floating Rate N&C Securities, the interest payable in respect of the N&C Securities will be calculated in accordance with N&C Security Condition 5.3 (Interest on Floating Rate N&C Securities and Variable Interest Rate N&C Securities) below and/or the relevant provisions of the Payout Annex.

Where the N&C Securities are Variable Interest Rate N&C Securities, the interest payable in respect of the N&C Securities will be calculated in accordance with N&C Security Condition 5.3 (Interest on Floating Rate N&C Securities and Variable Interest Rate N&C Securities) below and/or the relevant provisions of the Payout Annex.

Where the N&C Securities are specified to be Partial Redemption N&C Securities, the interest payable in respect of the N&C Securities will be calculated in accordance with N&C Security Condition 5.9 (Partial Redemption N&C Securities) below and, if specified in the applicable Issue Terms, in accordance with N&C Condition 5.3 (Interest on Floating Rate N&C Securities and Variable Interest N&C Securities) or Condition 5.4 (Interest on Exempt N&C Securities) below.

Where the N&C Securities are Exempt N&C Securities which are not Fixed Rate N&C Securities or Floating Rate N&C Securities, the interest payable in respect of the N&C Securities, if any, will be calculated in accordance with Condition 5.4 (Interest on Exempt N&C Securities) below.

In these Conditions:

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this N&C Security Condition 5:

(A) if "**Actual/Actual (ICMA)**" or "**Act/Act (ICMA)**" is specified in the applicable Issue Terms:

(i) in the case of N&C Securities 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 (as defined below) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (a) the number of days in such Determination Period and (b) the number of Determination Dates (as specified in the applicable Issue Terms) that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; or

(ii) in the case of N&C Securities where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(a) 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 Issue Terms) that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; and

(b) 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, assuming interest was to be payable in respect of the whole of that year;

(B) if "**Actual/Actual (ISDA)**", "**Actual/Actual**", "**Act/Act**" or "**Act/Act (ISDA)**" is specified in the applicable Issue Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period (as defined above) 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);

(C) if "**Actual/365 (Fixed)**", "**Act/365 (Fixed)**", "**A/365 (Fixed)**" or "**A/365F**" is specified in the applicable Issue Terms, the actual number of days in the relevant Interest Period, divided by 365;

(D) if "**Actual/365 (Sterling)**" is specified in the applicable Issue Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(E) if "**Actual/360**", "**Act/360**" or "**A/360**" is specified in the applicable Issue Terms, the actual number of days in the relevant Interest Period, divided by 360;

(F) if "**30/360 (ICMA)**" is specified in the applicable Issue Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) up to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12-30 day months) divided by 360;

(G) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Issue Terms, the number of days in the relevant 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 included in 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 and D_1 is greater than 29, in which case D_2 will be 30;

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

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

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 included in 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 included in 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;

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

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

Where:

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

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

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

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

"**D_1**" 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_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 (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_2 will be 30; and

"**Determination Period**" means each 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).

5.2 Interest on Fixed Rate N&C Securities

This N&C Security Condition 5.2 applies to Fixed Rate N&C Securities only. The applicable Issue Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this N&C Security Condition 5.2 and/or the relevant provisions of the Payout Annex for full information on the manner in which interest is calculated on Fixed Rate N&C Securities. In particular, the applicable Issue 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 Day Count Fraction, the Business Day Convention and any applicable Determination Date.

(a) If no Fixed Coupon Amount or Broken Amount is specified in the applicable Issue Terms, the following provisions shall apply with respect to a Fixed Rate N&C Security:

Each Fixed Rate N&C Security will bear interest from (and including) the Interest Commencement Date (which unless otherwise specified in the applicable Issue Terms shall be the Issue Date) at the rate(s) (expressed as a percentage) equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Such interest will be payable in respect of each Fixed Rate N&C Security Interest Period. In these Conditions and for the purposes of Fixed Rate N&C Securities only, "**Fixed Rate N&C Security 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.

If a Business Day Convention is specified in the applicable Issue 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 (as defined in N&C Security Condition 5.6 below), then, if the Business Day Convention specified is:

(i) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(ii) 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

(iii) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

Unless Day Count Fraction is specified as "Not Applicable" in the applicable Issue Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(i) in the case of Fixed Rate N&C Securities which are represented by a Global N&C Security, the aggregate outstanding nominal amount of the Fixed Rate N&C Securities represented by such Global N&C Security or, if they are Partly Paid N&C Securities, the aggregate amount paid up; or

(ii) in the case of Fixed Rate N&C Securities in definitive form held by each N&C Securityholder, the aggregate outstanding nominal amount of such Fixed Rate N&C Securities held by such N&C Securityholder,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure in accordance with the Rounding Convention (as specified in N&C Security Condition 6 (Payments) below). Where the Specified Denomination of a Fixed Rate N&C Security in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate N&C Security 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.

(b) If a Fixed Coupon Amount or Broken Amount is specified in the applicable Issue Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Rate N&C Security Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Issue Terms, amount to the Broken Amount so specified.

5.3 Interest on Floating Rate N&C Securities and Variable Interest Rate N&C Securities

This N&C Security Condition 5.3 applies to Floating Rate N&C Securities and Variable Interest Rate N&C Securities only. The applicable Issue Terms contains provisions applicable to the determination of interest in respect of such N&C Securities and must be read in conjunction with this N&C Security Condition 5.3 and/or the relevant provisions of the Payout Annex for full information on the manner in which interest is calculated on Floating Rate N&C Securities and Variable Interest Rate N&C Securities. In particular, the applicable Issue Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention and any Additional Business Centres. In respect of Floating Rate N&C Securities, the applicable Issue Terms will specify whether ISDA Determination, Screen Rate Determination or Bank of England Base Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Principal Paying Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Issue Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Issue Terms will also specify the applicable Reference Rate, any Rate Multiplier, Interest Determination Date(s) and Relevant Screen Page. Where Bank of England Base Rate Determination applies to the calculation of interest, the applicable Issue Terms will also specify the Designated Maturity, Interest Determination Date(s)) and Relevant Screen Page. In respect of Variable Interest Rate N&C Securities, the applicable Issue Terms will identify those items specified in the applicable paragraph of the Payout Annex.

(A) *Interest Payment Dates*

Each Floating Rate N&C Security and Variable Interest Rate N&C Security will bear interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year, as specified in the applicable Issue Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Issue 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 Issue 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. In these Conditions, "**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.

If a Business Day Convention is specified in the applicable Issue 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 (as defined in N&C Security Condition 5.6 below), then, if the Business Day Convention specified is:

(a) in any case where Specified Periods are specified in accordance with N&C Security Condition 5.3(A)(ii) 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 applicable Interest Payment Date occurred; or

(b) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(c) 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

(d) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(B) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate N&C Securities will be determined in the manner specified in the applicable Issue Terms. The Rate of Interest payable from time to time in respect of Variable Interest Rate N&C Securities will be determined in accordance with the relevant paragraph of the Payout Annex.

(i) *ISDA Determination for Floating Rate N&C Securities*

Where ISDA Determination is specified in the applicable Issue Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be (x) the relevant ISDA Rate (y) plus or minus (as indicated in the applicable Issue Terms) the Margin (if any) the result of which will be (z) multiplied by the Rate Multiplier, if any, provided the Rate of Interest may not be less than zero. For the purposes of this sub paragraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or other person specified in the applicable Issue Terms, under an interest rate swap transaction if the Principal Paying Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(a) the Floating Rate Option is as specified in the applicable Issue Terms;

(b) the Designated Maturity is that period specified in the applicable Issue Terms; and

(c) the relevant Reset Date is the day specified in the applicable Issue Terms.

For the purposes of this sub-paragraph (i), (x) "**Euro-zone**" means the region comprised of member states of the European Union ("**Member States**") that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam and (y) "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

Where ISDA Determination is specified in the applicable Issue Terms as the manner in which the Rate of Interest is to be determined, unless otherwise stated in the applicable Issue Terms, the Minimum Rate of Interest shall be deemed to be zero.

(ii) *Screen Rate Determination for Floating Rate N&C Securities*

(a) Where Screen Rate Determination is specified in the applicable Issue 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 (x) either:

(i) the offered quotation; or

(ii) 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 Issue 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 (as specified in the applicable Issue Terms) in question, in each case (y) plus or minus (as indicated in the applicable Issue Terms) the Margin (if any), the result of which will be (z) multiplied by the Rate Multiplier (if any), all as determined by the Principal Paying Agent or other person as specified in the applicable Issue Terms and provided the Rate of Interest may not be less than zero. 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 Principal Paying Agent (or other person as specified in the applicable Issue Terms) 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 (i) above, no such offered quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(iii) *Bank of England Base Rate Determination for Floating Rate N&C Securities*

Where Bank of England Base Rate Determination is specified in the applicable Issue Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be (x) the Bank of England Base Rate (y) plus or minus (as indicated in the applicable Issue Terms) the Margin (if any), the result of which will be (z) multiplied by the Rate Multiplier, if any, all as determined by the Calculation Agent.

"**Bank of England Base Rate**" means the most recent published rate for deposits for a period equal to the Designated Maturity (as specified in the applicable Issue Terms) which appears on the Relevant Screen Page (as specified in the applicable Issue Terms) as of 5:00 p.m., London time, on the Interest Determination Date (as specified in the applicable Issue Terms) or, if such Relevant Screen Page is not

available, such replacement page as the Calculation Agent shall select, or if the Calculation Agent determines no suitable replacement page exists, the rate determined by the Calculation Agent in good faith and in a commercially reasonable manner.

(iv) If, in respect of Exempt N&C Securities, the Reference Rate from time to time in respect of Floating Rate N&C Securities is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Exempt N&C Securities will be determined as provided in the applicable Pricing Supplement.

(C) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Issue 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 (B) 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 no other Minimum Rate of Interest for any Interest Period is specified in the applicable Issue Terms, then the Minimum Rate of Interest in respect of such Interest Period shall be deemed to be zero and in no event shall the Rate of Interest for such calculation period in accordance with N&C Security Condition 5.3(B) above be less than zero.

If the applicable Issue 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 (B) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(D) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent (or other person as specified in the applicable Issue Terms), in the case of Floating Rate N&C Securities, and the Calculation Agent, in the case of Variable Interest Rate N&C Securities 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. In the case of Variable Interest Rate N&C Securities, if applicable, the Calculation Agent will determine the Rate of Interest as provided in the Payout Annex. The Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

In the case of Variable Interest Rate N&C Securities, if applicable, the Calculation Agent will determine the Interest Amount as provided in the Payout Annex.

Unless Day Count Fraction is specified as "Not Applicable" in the applicable Issue Terms, the Principal Paying Agent (or other person as specified in the applicable Issue Terms), in the case of Floating Rate N&C Securities, and the Calculation Agent, in the case of all other Variable Interest Rate N&C Securities, will calculate the amount of interest (the "**Interest Amount**") payable on the N&C Securities for the relevant Interest Period by applying the Rate of Interest to:

(a) in the case of Floating Rate N&C Securities and Variable Interest Rate N&C Securities which are represented by a Global N&C Security, the aggregate outstanding nominal amount of the applicable N&C Securities represented by such Global N&C Security (or, if they are Partly Paid N&C Securities, the aggregate amount paid up) multiplied, in the case of Partial Redemption Notes, by the Outstanding Partial Redemption Nominal Percentage);

(b) in the case of Floating Rate N&C Securities and Variable Interest Rate N&C Securities which are in definitive form held by each N&C Securityholder, the aggregate outstanding nominal amount of such Floating Rate N&C Securities or Variable Interest Rate N&C Securities (as applicable) held by such N&C Securityholder multiplied, in the case of Partial Redemption Notes, by the Outstanding Partial Redemption Nominal Percentage,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure in accordance with the Rounding Convention (as specified in N&C Security Condition 6 (Payments) below). Where the Specified Denomination of a Floating Rate N&C Security or a Variable Interest Rate N&C Security in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such N&C Security 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 such case, the Calculation Agent will notify the Principal Paying Agent of the Interest Amount for the relevant Interest Period as soon as practicable after calculating the same.

(E) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent (or other person as specified in the applicable Issue Terms) 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 and/or market on which the relevant Floating Rate N&C Securities or a Variable Interest Rate N&C Securities are for the time being listed and/or admitted to trading and notice thereof to be published in accordance with N&C Security Condition 14 (Notices) as soon as possible after their determination but in no event later than the fourth (4th) 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 promptly be notified to each stock exchange and/or market on which the relevant Floating Rate N&C Securities or Variable Interest Rate N&C Securities are for the time being listed and/or admitted to trading and to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices). For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

(F) *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 N&C Security Condition 5.3 (Interest on Floating Rate N&C Securities and Variable Interest Rate N&C Securities), whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent (if applicable), the other Paying Agents and all N&C Securityholders, Receiptholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Guarantor, the N&C Securityholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent (if applicable) in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

5.4 Interest on Exempt N&C Securities

The rate or amount of interest, if any, payable in respect of Exempt N&C Securities which are not Fixed Rate N&C Securities or Floating Rate N&C Securities shall be determined in the manner specified in the applicable Pricing Supplement.

In the case of Partly Paid N&C Securities (other than Partly Paid N&C Securities which are Zero Coupon N&C Securities), interest will accrue as aforesaid on the paid up nominal amount of such N&C Securities and otherwise as specified in the applicable Pricing Supplement.

5.5 Accrual of interest

Subject to the following paragraph, in respect of each N&C Security interest will be deemed to have accrued only on the relevant Interest Payment Date on which it falls due and not in any other circumstances.

Subject as provided in any Annex, each N&C Security (or in the case of the redemption of part only of a N&C Security, that part only of such N&C Security) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue on the relevant payment of principal on a daily basis at the relevant Rate of Interest and on the basis of the applicable Day Count Fraction or, if Day Count Fraction is specified as "Not Applicable" in the applicable Issue Terms, at such day count fraction as would customarily apply to the calculation of interest on securities denominated in the Specified Currency as selected by the Principal Paying Agent (or other person as specified in the applicable Issue Terms), in the case of Fixed Rate N&C Securities and Floating Rate N&C Securities, or the Calculation Agent, in the case of all other Variable Interest Rate N&C Securities acting in good faith and in a commercially reasonable manner, until whichever is the earlier of:

(A) the date on which all amounts due in respect of such N&C Security have been paid and/or all assets deliverable in respect of such N&C Security have been delivered; and

(B) five (5) days after the date on which the full amount of the moneys payable in respect of such N&C Security has been received by the Principal Paying Agent or the Registrar, as the case may be, and/or all assets in respect of such N&C Security have been delivered and notice to that effect has been given to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices).

5.6 Business Day

In these Conditions, "**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 each Additional Business Centre specified in the applicable Issue Terms; and

(b) either (x) in relation to any sum payable in a currency other than euro, 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 the principal financial centre of the country of the relevant currency (which if the currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (y) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (or any successor thereto) (the "**TARGET2 System**") is open. Unless otherwise provided in the applicable Issue Terms, or as above, the principal financial centre of any currency for the purpose of these Conditions shall be as provided in the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Associations, Inc. and as amended and updated as at the Issue Date of the first Tranche of the N&C Securities (the "**ISDA Definitions**").

5.7 Interest calculations without a day count fraction

If any amount of interest is to be determined and Day Count Fraction is specified as "Not Applicable" in the applicable Issue Terms such amount of interest will be calculated as specified in the applicable Issue Terms and any reference to a Day Count Fraction in this N&C Security Condition 5 will be deemed not to apply.

5.8 Fixed Income Benchmark

If the applicable Issue Terms specify that a Rate of Interest is to be determined in accordance with this N&C Security Condition 5.8, then, in respect of any relevant Interest Determination Date or Reset Date specified in the applicable Issue Terms for which that Rate of Interest is to be determined, the Rate of Interest will be determined for these purposes only in accordance with this N&C Security Condition 5 (Interest) on the following basis:

(a) the Securities are deemed to be Floating Rate N&C Securities to which Screen Rate Determination or ISDA Determination or Bank of England Base Rate Determination applies as specified under the heading "Fixed Income Benchmark" in the applicable Issue Terms;

(b) if Screen Rate Determination applies the Reference Rate will mean the relevant LIBOR or EURIBOR rate as specified under the heading "Fixed Income Benchmark" in the applicable Issue Terms and the Relevant Screen Page will be as specified under the heading "Fixed Income Benchmark" in the applicable Issue Terms;

(c) if ISDA Determination applies the Floating Rate Option and the Designated Maturity will be deemed to be the relevant option and period respectively specified under the heading "Fixed Income Benchmark" in the applicable Issue Terms;

(d) if Bank of England Base Rate Determination applies the Designated Maturity and Relevant Screen Page will be deemed to be the relevant period and page respectively specified under the heading "Fixed Income Benchmark" in the applicable Issue Terms;

(e) each day on which the Rate of Interest is to be determined will be deemed to be a Reset Date;

(f) each of the Margin, the Minimum Rate of Interest, the Maximum Rate of Interest and the Additional Business Centre, if any, will be the values or centres specified as such under the heading "Fixed Income Benchmark" in the applicable Issue Terms;

(g) the Calculation Agent will be the party making all Rate of Interest determinations and, where Screen Rate Determination applies, notwithstanding the final paragraph of N&C Security Condition 5.3(B)(ii), if the Calculation Agent is unable to determine the Rate of Interest in accordance with N&C Security Condition 5.3(B)(ii), the Rate of Interest will be determined by the Calculation Agent in good faith and in a commercially reasonable manner as the rate it determines would have prevailed but for the relevant disruption or other event.

5.9 Partial Redemption N&C Securities

This N&C Security Condition 5.9 applies to Partial Redemption N&C Securities only. The applicable Issue Terms contains provisions applicable to the determination of fixed rate interest in respect of Partial Redemption N&C Securities and must be read in conjunction with this N&C Security Condition 5.9 for full information on the manner in which interest is calculated on Partial Redemption N&C Securities. In particular, the applicable Issue Terms will specify the Interest Commencement Date, the Partial Rate of Interest, the Partial Interest Payment Date(s), the Partial Redemption Date, the Partial Redemption Amount, the Partial Fixed Coupon Amount, any applicable Partial Broken Amount, the Calculation Amount, the Day Count Fraction, the Business Day Convention and any applicable Determination Date.

(a) Partial Redemption N&C Securities pay interest as provided in this N&C Security Condition 5.9 (such interest "**Partial Interest**") and, if specified in the applicable Issue Terms, as provided in N&C Security Condition 5.3 or 5.4 as the case may be, above.

(b) Each Partial Redemption N&C Security will bear Partial Interest from (and including) the Interest Commencement Date (which unless otherwise specified in the applicable Issue Terms shall be the Issue Date) at the rate(s) (expressed as a percentage) equal to the Partial Rate(s) of Interest. Partial Interest will be payable in arrear on the Partial Interest Payment Date(s) in each year up to (but excluding) the Partial Redemption Date (as specified in the applicable Issue Terms).

Partial Interest will be payable in respect of each Partial Redemption N&C Security Interest Period. In these Conditions and for the purposes of Partial Redemption N&C Securities only, "**Partial Redemption N&C Security Interest Period**" means the period from (and including) a Partial Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Partial 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 a Partial Interest Payment Date should occur or (y) if any Partial Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined in N&C Security Condition 5.6 above), then, if the Business Day Convention specified is:

(i) the Following Business Day Convention, such Partial Interest Payment Date shall be postponed to the next day which is a Business Day; or

(ii) the Modified Following Business Day Convention, such Partial 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 Partial Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(iii) the Preceding Business Day Convention, such Partial Interest Payment Date shall be brought forward to the immediately preceding Business Day.

Partial interest shall be calculated in respect of any period by applying the Partial Rate of Interest to:

(iv) in the case of Partial Redemption N&C Securities which are represented by a Global N&C Security, the aggregate outstanding nominal amount of the Partial Redemption N&C Securities represented by such Global N&C Security multiplied by the Partial Redemption Nominal Percentage; or

(v) in the case of Partial Redemption N&C Securities in definitive form held by each N&C Securityholder, the aggregate outstanding nominal amount of such Partial Redemption N&C Securities held by such N&C Securityholder multiplied by the Partial Redemption Nominal Percentage,

and, unless Day Count Fraction is specified to be "Not Applicable", in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure in accordance with the Rounding Convention (as specified in N&C Security Condition 6 (*Payments*) below). Where the Specified Denomination of a Partial Redemption N&C Security in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Partial Redemption N&C Security 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.

(c) If the Partial Redemption N&C Securities are in definitive form, the amount of Partial Interest payable on each Interest Payment Date in respect of the Partial Redemption N&C Security Interest Period ending on (but excluding) such date will amount to the Partial Interest Fixed Coupon Amount. Payments of Partial Interest on any Partial Interest Payment Date will, if so specified in the applicable Issue Terms, amount to the Partial Interest Broken Amount so specified.

(d) For the purposes of Partial Redemption N&C Securities, "**Partial Redemption Nominal Percentage**" means the percentage specified as such in the applicable Issue Terms.

6. PAYMENTS

6.1 Payments in respect of Definitive Bearer N&C Securities

(A) *Payments in respect of Definitive Bearer N&C Securities*

Subject as provided below:

(i) payments in a Specified Currency other than euro or U.S. Dollars will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency;

(ii) payments will be made in euro 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, at the option of the payee, by a euro cheque; and

(iii) payments will be made in U.S. Dollars by transfer to a U.S. Dollar account maintained by the payee with a bank outside of the United States (which expression, as used in this N&C Security Condition 6, means the United States of America, including the States and the District of Columbia and its possessions), or by cheque drawn on a United States bank. In no event will payment in respect of any Definitive Bearer N&C Security be made by a cheque mailed to an address in the United States. All payments of interest in respect of Definitive Bearer N&C Securities will be made to accounts located outside the United States except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer.

(B) *Payment of Principal and Interest in respect of Definitive Bearer N&C Securities, Receipts and Coupons*

Payments of principal in respect of Definitive Bearer N&C Securities will (subject as provided below) be made in the manner provided in N&C Security Condition 6.1(A) (*Payments in respect of Definitive Bearer N&C Securities*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer N&C Securities, and payments of interest in respect of Definitive Bearer N&C Securities will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) 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)).

(C) *Missing Unmatured Coupons*

Fixed Rate N&C Securities and Partial Redemption N&C Securities in definitive bearer form (other than Long Maturity N&C Securities (as defined below) and save as provided in N&C Security Condition 6.4 below) 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 ten (10) years after the Relevant Date (as defined in N&C Security Condition 9 (Prescription)) in respect of such principal (whether or not such Coupon would otherwise have become void under N&C Security Condition 9 (Prescription)) or, if later, five (5) years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

(D) *Unmatured Coupons and Talons void*

Upon any Fixed Rate N&C Security or Partial Redemption N&C Security in definitive bearer form 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 N&C Security, Variable Interest Rate N&C Security or Long Maturity N&C Security in definitive bearer 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. A "**Long Maturity N&C Security**" is a Fixed Rate N&C Security or Partial Redemption N&C Security (other than a Fixed Rate N&C Security or Partial Redemption N&C Security which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such N&C Security shall cease to be a Long Maturity N&C Security on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such N&C Security.

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

(E) *Payments of Principal and Interest in respect of Global N&C Securities*

Payments of principal and interest (if any) in respect of N&C Securities represented by any Global N&C Security in bearer form will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer N&C Securities and otherwise in the manner specified in the Definitive Bearer Global N&C Securities against presentation or surrender, as the case may be, of such Global N&C Securities at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global N&C Securities, distinguishing between any payment of principal and any payment of interest, will be made on such Global N&C Securities by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

No payments of principal, interest or other amounts due in respect of a Global N&C Security will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

6.2 Payments in respect of Immobilised Bearer Global N&C Securities

Payments of any amounts owing in respect of the Immobilised Bearer Global N&C Securities (including principal, interest and instalments, if any) will be made by the Issuer in the Settlement Currency to the relevant Paying Agent. The relevant Paying Agent will, in turn, make such payments to the Custodian in its capacity as the bearer of the relevant Immobilised Bearer Global N&C Securities and the amount so received by the Custodian is forwarded by it to the Book-Entry Depositary in accordance with the terms of the N&C Securities Depositary Agreement. Upon receipt of any such amounts, the Book-Entry Depositary will pay the amounts so received to the common depositary for Euroclear and/or Clearstream, Luxembourg, as applicable, which will distribute such payments to participants in accordance with their procedures.

The Issuer, the Principal Paying Agent and the Registrar will treat the bearer of the Immobilised Bearer Global N&C Securities as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Book-Entry Depositary, any Agent, the Registrar or any agent of the Issuer, any Agent or the Registrar has or will have any responsibility or liability for:

(A) any aspect of the records of Euroclear, Clearstream, Luxembourg or any participants or indirect participant relating to, or payments made on account of, Euroclear, Clearstream, Luxembourg or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or

(B) Euroclear, Clearstream, Luxembourg or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

In the event any Immobilised Bearer Global N&C Security (or any portion thereof) is redeemed, the Book-Entry Depositary will, through Euroclear or Clearstream, Luxembourg, as applicable, redeem an equal amount of the Book-Entry Interests in such Immobilised Bearer Global N&C Security from the amount received by it in respect of the redemption of such Immobilised Bearer Global N&C Security. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by the Book-Entry Depositary in connection with the redemption of such Immobilised Bearer Global N&C Securities (or any portion thereof). If fewer than all of the N&C Securities are to be redeemed at any time, Euroclear and Clearstream, Luxembourg will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate.

6.3 Payments in respect of Definitive Registered N&C Securities

(A) *Payments of principal in respect of Definitive Registered N&C Securities*

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Definitive Registered N&C Security will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Definitive Registered N&C Security at the specified office of the

Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account of the holder (or the first named of joint holders) of the Definitive Registered N&C Security appearing in the register of holders of the Definitive Registered N&C Security maintained by the Registrar (the "**Register**") at the close of business on the fifteenth (15th) calendar day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**"). Notwithstanding the previous sentence, if a holder does not have a Designated Account, payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank. For these purposes, "**Designated Account**" means the account maintained by a holder with a designated bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

(B) *Payments of interest in respect of Definitive Registered N&C Securities*

Payments of interest in respect of each Definitive Registered N&C Security will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Definitive Registered N&C Security appearing in the Register at the close of business on the Record Date at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three (3) business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Definitive Registered N&C Security, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Definitive Registered N&C Securities which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Definitive Registered N&C Security on redemption will be made in the same manner as payment of the principal amount of such Definitive Registered N&C Security.

Holders of Definitive Registered N&C Securities will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Definitive Registered N&C Security as a result of a cheque posted in accordance with this N&C Security Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Definitive Registered N&C Securities.

6.4 Specific provisions in relation to payments in respect of Partial Redemption N&C Securities and certain types of Exempt N&C Securities

Payments of instalments of principal (if any) in respect of Definitive Bearer N&C Securities, other than the final instalment, will (subject as provided below) be made in the manner provided in N&C Security Condition 6.1(A) (*Payments in respect of Definitive Bearer N&C Securities*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with N&C Security Condition 6.1(B) (*Payment of Principal and Interest in respect of Definitive Bearer N&C Securities, Receipts and Coupons*). Payment of the final instalment will be made in the manner provided in N&C Security Condition 6.1(A) (*Payments in respect of Definitive Bearer N&C Securities*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Definitive Bearer N&C Security in accordance with N&C Security Condition 6.1(B) (*Payment of Principal and Interest in respect of Definitive Bearer N&C Securities, Receipts and Coupons*). Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer N&C Security to which it appertains. Receipts presented without the Definitive Bearer N&C Security to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer N&C Security becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Payments of instalments of principal (other than the final instalment) in respect of each Definitive Registered N&C Security will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due

date to the holder (or the first named of joint holders) of the Definitive Registered N&C Security appearing in the Register at the close of business on the Record Date at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three (3) business days in the city where the specified office of the Registrar is located before the due date for any payment of an instalment in respect of a Definitive Registered N&C Security, the payment may be made by transfer on the due date in the manner provided in N&C Security Condition 6.3(A) (*Payments of principal in respect of Definitive Registered N&C Securities)*. Any such application for transfer shall be deemed to relate to all future instalments of principal (other than the final instalment) in respect of the Definitive Registered N&C Securities which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the final instalment of principal will be made in the same manner as payment of the principal amount of such Definitive Registered N&C Security.

Holders of Definitive Registered N&C Securities will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Definitive Registered N&C Security as a result of a cheque posted in accordance with this N&C Security Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Definitive Registered N&C Securities.

Upon the date on which any Dual Currency N&C Securities or Variable Interest Rate N&C Securities 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.

6.5 General provisions applicable to payments

(A) The holder of a Global N&C Security shall be the only person entitled to receive payments or to make a claim in respect of N&C Securities represented by such Global N&C Security and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global N&C Security in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg or the relevant clearance system specified in the applicable Issue Terms, as the beneficial holder of a particular nominal amount or number of units of N&C Securities represented by such Global N&C Security must look solely to Euroclear or Clearstream, Luxembourg or the relevant clearance system specified in the applicable Issue Terms, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global N&C Security.

(B) 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 N&C Security Condition 8 (Taxation) and (ii) any withholding or deduction required: (a) 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 (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement); and (b) pursuant to Section 871(m) of the Code. Any such amounts withheld or deducted will be treated as paid for all purposes under the N&C Securities, and no additional amounts will be paid on the Securities with respect to any such withholding or deduction.

6.6 Place of Payment

Notwithstanding the foregoing provisions of this N&C Security Condition 6, if any amount of principal and/or interest in respect of N&C Securities (other than those in definitive registered form) is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such N&C Securities will be made at the specified office of a Paying Agent in the United States if:

(A) 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 Bearer N&C Securities in the manner provided above when due;

(B) 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

(C) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

Any amount payable in respect of an N&C Security which exceeds the sum subscribed represents an amount payable by the Issuer (i) as consideration for the use of the sum subscribed by the Issuer and (ii) as compensation for and in recognition that in certain circumstances the amount repayable on maturity may be less than the sum subscribed or that the amount paid in excess of the sum subscribed may have been less than the prevailing rate of interest (generally payable by the Issuer) at the time when the N&C Securities were issued.

6.7 Payment Days

Subject to N&C Security Condition 5.3(A) (*Interest Payment Dates*), if the date for payment (the "**Relevant Payment Date**") of any amount in respect of any N&C Security, Receipt or Coupon is not a Payment Day, the holder thereof will instead be entitled to payment on the relevant day determined in accordance with the relevant Payment Day Convention as set out below and will not be entitled to any further interest or other payment in respect of any delay.

Where:

(a) the Payment Day Convention is specified as "Following" in the applicable Issue Terms, or where no Payment Day Convention is specified in the applicable Issue Terms, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place;

(b) the Payment Day Convention is specified as "Modified Following" in the applicable Issue Terms, the holder thereof shall not be entitled to payment until the next day which is a Payment Day unless such day falls in the next calendar month, in which event such holder shall be entitled to payment on the Payment Day immediately preceding the Relevant Payment Date (the "**Adjusted Date for Payment**"); and

(c) the Payment Day Convention is specified as "Preceding" in the applicable Issue Terms, the holder thereof shall be entitled to payment on the Payment Day immediately preceding the Relevant Payment Date (the "**Adjusted Date for Payment**"),

Provided That, in the event that any day upon which a valuation or determination is required to be made for the purposes of determining the amount of the payment to be made in respect of the Relevant Payment Date (each such date a "**Relevant Valuation Date**") would, as a result of the adjustment anticipated in paragraph (b) or (c) above, fall after the second Business Day preceding the Adjusted Date for Payment, N&C Securityholders will not be entitled to the relevant payment due in respect of the Relevant Payment Date until the day falling two (2) Business Days following the last occurring Relevant Valuation Date.

"**Payment Day**" means any day which (subject to N&C Security Condition 9 (Prescription)):

(i) is 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 N&C Securities in definitive form only, the relevant place of presentation; and

  (b) each Additional Financial Centre specified in the applicable Issue Terms; and

(ii) either (A) in relation to any sum payable in a relevant currency other than euro, 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 the principal financial centre of the country of each such relevant currency (which if the relevant currency is Australian dollars or New Zealand dollars shall be Sydney

and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.8 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the N&C Securities shall be deemed to include, as applicable:

(A) the Final Redemption Amount of the N&C Securities;

(B) the Early Redemption Amount of the N&C Securities;

(C) the Optional Redemption Amount(s) (if any) of the N&C Securities;

(D) in relation to Exempt N&C Securities redeemable in instalments, the Instalment Amounts;

(E) in relation to Zero Coupon N&C Securities, the Amortised Face Amount (as defined in N&C Security Condition 7.7 (Early Redemption Amounts);

(F) the Partial Redemption Amount (if any) of the N&C Securities; and

(G) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the N&C Securities.

6.9 Rounding Convention

For the purposes of calculations made pursuant to N&C Security Condition 5.2 (Interest on Fixed Rate N&C Securities), N&C Security Condition 5.3 (Interest on Floating Rate N&C Securities and Variable Interest Rate N&C Securities), N&C Security Condition 5.9 (Partial Redemption N&C Securities) and N&C Security Condition 7 (Redemption and Purchase) any figure to be rounded will, if other than a sub-unit in the relevant Specified Currency:

(A) if "Rounded Up" is specified in the applicable Issue Terms, be rounded upwards to the next sub-unit of the relevant Specified Currency,

(B) if "Rounded Down" is specified in the applicable Issue Terms, be rounded downwards to the next sub-unit of the relevant Specified Currency; or

(C) in the event that no Rounding Convention is specified in the applicable Issue Terms be rounded down as if "Rounded Down" had been specified,

provided that, in each case, the Calculation Amount in respect of N&C Securities which are (i) held by the same N&C Securityholder, (ii) of the same Series and (iii) in definitive form, shall be aggregated for the purpose of determining the aggregate amount (a) of interest due in respect of any Interest Payment Date or (b) payable in respect of principal due (including for the avoidance of doubt the Final Redemption Amount).

6.10 Sub-units

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

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below:

(a) each N&C Security other than an Exempt N&C Security or a Partial Redemption N&C Security, will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms and/or, in the case of certain Variable Redemption N&C Securities set out in the Payout Annex, determined in the manner specified in the relevant paragraph of the Payout Annex in the relevant Specified Currency, on the Maturity Date (each as specified in the applicable Final Terms);

(b) each Exempt N&C Security (unless otherwise specified in the applicable Pricing Supplement or applicable Annex(es)) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date or if the N&C Securities are Physical Delivery N&C Securities, by delivery of the Asset Amount, subject to fulfilment of the provisions of the applicable Annex; and

(c) each Partial Redemption N&C Security, will be redeemed by the Issuer:

(i) by payment of the Partial Redemption Amount in the relevant Specified Currency on the Partial Redemption Date in each case specified in the applicable Issue Terms; and

(ii) by payment of the Final Redemption Amount determined in the manner specified in the relevant paragraph of the Payout Annex specified in the applicable Issue Terms (or in the case of a Partial Redemption N&C Security which is an Exempt N&C Security, as specified in the applicable Pricing Supplement) in the relevant Specified Currency, on the Maturity Date specified in the applicable Issue Terms, which amount shall be deemed to be the final instalment of principal in respect of the relevant N&C Security.

7.2 Redemption at the option of N&C Securityholders (Investor Put)

*This N&C Security Condition 7.2 applies to N&C Securities which are subject to redemption prior to the Maturity Date at the option of the Securityholder, such option being referred to as an "**Investor Put**". The applicable Issue Terms contains provisions applicable to any Investor Put and must be read in conjunction with this N&C Security Condition 7.2 for full information on any Investor Put. In particular, the applicable Issue 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 Issue Terms, upon the holder of any N&C Security giving to the Issuer in accordance with N&C Security Condition 14 (Notices) not less than the minimum period and not more than the maximum period of notice specified in the applicable Issue Terms the Issuer will, upon the expiry of such notice, redeem, in whole (but not, in the case of a Definitive Bearer N&C Security, in part) such N&C Security on the Optional Redemption Date (as specified in the applicable Issue Terms) and at the Optional Redemption Amount (as specified in the applicable Issue Terms) together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Definitive Registered N&C Securities may be redeemed under this N&C Security Condition 7.2 in any multiple of their lowest Specified Denomination. In the case of Exempt N&C Securities only, it may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Pricing Supplement.

The Optional Redemption Amount, in respect of each N&C Security of a nominal amount equal to the Calculation Amount, will be the specified percentage of the Calculation Amount or other fixed amount specified in the applicable Issue Terms.

To exercise the right to require redemption of this N&C Security the holder of this N&C Security must, if this N&C Security is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Definitive Bearer N&C Securities) or the Registrar (in the case of Definitive Registered N&C Securities) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar 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 or, as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this N&C Security Condition 7.2 and, in the case of Definitive Registered N&C Securities,

the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Definitive Registered N&C Securities so surrendered is to be redeemed, an address to which a new Definitive Registered N&C Security in respect of the balance of such Definitive Registered N&C Securities is to be sent subject to and in accordance with the provisions of N&C Security Condition 2.2 (Transfers of Definitive Registered N&C Securities). If this N&C Security is in definitive bearer form, the Put Notice must be accompanied by this N&C Security or evidence satisfactory to the Paying Agent concerned that this N&C Security will, following delivery of the Put Notice, be held to its order or under its control.

If this N&C Security is represented by a Global N&C Security or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this N&C Security the holder of this N&C Security must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this N&C Security is represented by a Global N&C Security, the terms of which require presentation for recording changes to its nominal amount or number of units, at the same time present or procure the presentation of the relevant Global N&C Security to the Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any N&C Security pursuant to this N&C Security Condition 7.2 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this N&C Security Condition 7.2 and instead to declare such N&C Security forthwith due and payable pursuant to N&C Security Condition 10 (Events of Default).

7.3 Redemption at the option of the Issuer (Issuer Call)

*This N&C Security Condition 7.3 applies to N&C Securities which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons or upon a regulatory event), such option being referred to as an "**Issuer Call**". The applicable Issue Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this N&C Security Condition 7.3 for full information on any Issuer Call. In particular, the applicable Issue Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of N&C Securities which can be redeemed and the applicable notice periods.*

If Issuer Call is specified as being applicable in the applicable Issue Terms, the Issuer may, having given not less than the minimum period and not more than the maximum period of notice specified in the applicable Issue Terms to the Securityholders in accordance with N&C Security Condition 14 (Notices) (which notice shall be irrevocable and specify the date fixed for redemption), redeem all or some only of the N&C Securities then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Issue Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount or number of units not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Issue Terms.

In the case of a partial redemption of N&C Securities, the N&C Securities to be redeemed ("**Redeemed N&C Securities**") will (i) in the case of Redeemed N&C Securities represented by definitive N&C Securities, be selected individually by lot, not more than 30 days prior to the date fixed for redemption, and (ii) in the case of Redeemed N&C Securities represented by a Global N&C Security, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (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 N&C Securities represented by definitive N&C Securities, a list of the serial numbers of such Redeemed N&C Securities will be published in accordance with N&C Security Condition 14 (Notices) not less than 15 calendar days prior to the date fixed for redemption.

The Optional Redemption Amount, in respect of each N&C Security of a nominal amount equal to the Calculation Amount, will be the specified percentage of the Calculation Amount or other fixed amount specified in the applicable Issue Terms.

7.4 Redemption for illegality

*This N&C Security Condition 7.4 applies to N&C Securities which are subject to redemption prior to the Maturity Date at the option of the Issuer upon an illegality event as described below, such option being referred to as an "**Issuer Illegality Call**". The applicable Issue Terms contains provisions applicable to any Issuer Illegality Call and must be read in conjunction with this N&C Security Condition 7.4 for full information on any Issuer Illegality Call. In particular, the applicable Issue Terms will identify the applicable notice periods.*

In the event that the Calculation Agent determines that the performance of the obligations of the Issuer under the N&C Securities or the obligations of the Guarantor under the Guarantee, or any arrangements made to hedge the Issuer's obligations under the N&C Securities, has or will become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgement, order or directive of any governmental, administrative, legislative or judicial authority or power, or the interpretation thereof, the Issuer may, having given not less than the minimum period and not more than the maximum period of notice specified in the applicable Issue Terms to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) (which notice shall be irrevocable), on the expiry of such notice redeem all, but not some only, of the N&C Securities, each N&C Security being redeemed at the Early Redemption Amount.

7.5 Regulatory Redemption Event

*This N&C Security Condition 7.5 applies to N&C Securities which are subject to redemption prior to the Maturity Date at the option of the Issuer upon a regulatory event as described below, such option being referred to as an "**Issuer Regulatory Call**". The applicable Issue Terms contains provisions applicable to any Issuer Regulatory Call and must be read in conjunction with this N&C Security Condition 7.5 for full information on any Issuer Regulatory Call. In particular, the applicable Issue Terms will identify the applicable notice periods.*

In the event that the Calculation Agent determines that a change in applicable law or regulation has occurred which results, or will result, solely by reason of the N&C Securities being outstanding, in the Issuer being required to be regulated by any additional jurisdiction or regulatory authority, or being subject to any additional legal requirement or regulation considered by the Issuer to be materially onerous to it, the Issuer having given not less than the minimum period and not more than the maximum period of notice specified in the applicable Issue Terms to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) (which notice shall be irrevocable) may, on the expiry of such notice redeem all, but not some only, of the N&C Securities, each N&C Security being redeemed at the Early Redemption Amount. Payment shall be made in such manner as shall be notified to N&C Securityholders in accordance with N&C Security Condition 14 (Notices).

7.6 Redemption for tax reasons

Subject to N&C Security Condition 7.7, the N&C Securities may be redeemed at the option of the Issuer (such option being referred to as an "**Issuer Tax Call**") in whole, but not in part, at any time (if this N&C Security is not a Floating Rate N&C Security or a Variable Interest Rate N&C Security) or on any Interest Payment Date (if this N&C Security is a Floating Rate N&C Security or a Variable Interest Rate N&C Security), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Issue Terms to the Principal Paying Agent and, in accordance with N&C Security Condition 14, the N&C Securityholders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the N&C Securities, the Issuer has or will become obliged to account for any present or future taxes, duties, assessments or governmental charges levied or the Guarantor, if making payment itself, would be or would become obliged to account for any present or future taxes, duties, assessments or governmental charges levied; and

(b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it. Reasonable measures shall not include anything which has any material impact on the business of the Issuer or the Guarantor, as the case may be, or which would cause the Issuer or the Guarantor, as the case may be, to incur any material costs, and

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to account for any such taxes, duties, assessments or governmental changes were a payment in respect of the N&C Securities then due.

N&C Securities redeemed pursuant to this N&C Security Condition will be redeemed at their Early Redemption Amount referred to in paragraph 7.7 below.

7.7 Early Redemption Amounts

For the purpose of N&C Security Conditions 7.4 (Redemption for illegality), 7.5 (Regulatory Redemption Event), 7.6 (Redemption for tax reasons) and N&C Security 10 (Events of Default) or in the case of any other early redemption of the N&C Securities in an applicable Annex, each N&C Security will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a N&C Security with a Final Redemption Amount equal to the Issue Price, subject as provided below, the Final Redemption Amount thereof; or

(b) in the case of a N&C Security (other than a Zero Coupon N&C Security) 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 N&C Security is denominated, subject as provided below, the amount specified in, the applicable Issue Terms or, if no such amount is so specified in the applicable Issue Terms, at its nominal amount; or

(c) in the case of a Zero Coupon N&C Security, an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

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

where:

RP means the Reference Price; and

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Issue Terms which will be either (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) from (and including) the Issue Date of the first Tranche of the N&C Securities to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such N&C Security becomes due and repayable and the denominator 360), (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 N&C Securities to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such N&C Security 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 N&C Securities to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such N&C Security becomes due and repayable and the denominator will be 365);

(d) if "**Market Value**" is specified as the Early Redemption Amount in the applicable Issue Terms, the Early Redemption Amount in respect of each unit of N&C Securities or nominal amount of N&C Securities equal to the Calculation Amount or, in the case of Partial Redemption N&C Securities, each unit of N&C Securities or nominal amount of N&C Securities which as of the Issue Date had a nominal amount equal to the Calculation Amount, shall be an amount determined by the Calculation Agent, which on (i) in the case of redemption other than pursuant to N&C Security Condition 10 (Events of Default), the second (2nd) Business Day immediately preceding the due date for the early redemption of the N&C Security or (ii) in the case of redemption pursuant to N&C Security Condition 10 (Events of Default), the due date for the early redemption of the N&C Security, represents the fair market value of such N&C Securities taking into account all factors which the Calculation

Agent determines relevant (including, but not limited to, interest rates, index levels, implied volatilities in the option markets and exchange rates), *less*, Associated Costs. In respect of N&C Securities bearing interest, the Early Redemption Amount, as determined by the Calculation Agent, in accordance with this paragraph, shall not include any accrued but unpaid interest save to the extent this may be taken into account, where appropriate, in determining the fair market value referred to above.

As used herein*:*

"**Associated Costs**" means an amount per nominal amount of the N&C Securities equal to the Calculation Amount or, in the case of Partial Redemption N&C Security, an amount per nominal amount of N&C Securities which as of the Issue Date had a nominal amount equal to the Calculation Amount equal to such N&C Securities *pro rata* share (determined on the basis of such nominal amount of the N&C Security and the aggregate of such nominal amounts of all N&C Securities which have not previously been redeemed or cancelled as at the Early Redemption Date) of the total amount of any and all costs or expenses associated or incurred by the Issuer, any Affiliate and/or Hedging Party (as applicable) in connection with such early redemption, including, without limitation, any costs associated with unwinding, substituting, re-establishing and/or incurring the funding relating to the N&C Securities and/or any costs associated with unwinding, substituting, re-establishing and/or incurring any hedge positions relating to the N&C Securities, all as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner; or

(e) in the case of Exempt N&C Securities only, on such other calculation basis as may be specified in the applicable Pricing Supplement.

7.8 Automatic Early Redemption Event

*This N&C Security Condition 7.8 applies to N&C Securities which are subject to redemption prior to the Maturity Date following the occurrence of an Automatic Early Redemption Event as described below, such redemption being referred to as an "**Automatic Early Redemption**". The applicable Issue Terms and, in the case of Variable Redemption N&C Securities, the relevant provisions of the Payout Annex contain provisions applicable to any Automatic Early Redemption and must be read in conjunction with this N&C Security Condition 7.8 for full information on any Automatic Early Redemption. In particular, the applicable Issue Terms will identify those items specified in the applicable paragraph of the Payout Annex.*

If Automatic Early Redemption is (i) specified as applicable in the applicable Issue Terms in respect of any Variable Redemption N&C Securities for which an Automatic Early Redemption Event is specified in the Payout Annex, or (ii) specified as applicable in the applicable Pricing Supplement for any Exempt N&C Securities for which an Automatic Early Redemption Event is specified in such Pricing Supplement, then unless previously redeemed or purchased and cancelled if such Automatic Early Redemption Event occurs, then the Issuer will give notice to N&C Securityholders in accordance with N&C Security Condition 14 (Notices) and the N&C Securities will be redeemed in whole, but not in part, on the Automatic Early Redemption Date as specified in the applicable Issue Terms at the Automatic Early Redemption Amount as specified in the Payout Annex. For the purposes of these Conditions, the Agency Agreement, the Guarantee, Global N&C Securities and other forms of N&C Securities, all references to an Early Redemption Date or Early Redemption Amount shall be deemed to include a reference to an Automatic Early Redemption Date or Automatic Early Redemption Amount, as applicable.

7.9 Specific redemption provisions applicable to certain types of Exempt N&C Securities

The Final Redemption Amount, any Optional Redemption Amount, any Automatic Early Redemption Event, Automatic Early Redemption Amount and any Early Redemption Amount in respect of any Exempt N&C Securities may be specified in, or determined in the manner specified in, the applicable Pricing Supplement.

Instalment N&C Securities will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount of Instalment N&C Securities will be determined in the manner specified in the applicable Pricing Supplement.

Partly Paid N&C Securities will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this N&C Security Condition 7 and the applicable Pricing Supplement.

7.10 Purchases

The Issuer, the Guarantor or any of their respective Affiliates (as defined below) may at any time purchase N&C Securities (provided that, in the case of Definitive Bearer N&C Securities, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise, in accordance with applicable laws and regulations. Such N&C Securities may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent and/or the Registrar for cancellation.

7.11 Cancellation

All N&C Securities which are redeemed will forthwith be cancelled (together, in the case of Definitive Bearer N&C Securities, with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All N&C Securities so cancelled and any N&C Securities purchased and cancelled pursuant to N&C Security Condition 7.10 (Purchases) above (together, in the case of Definitive Bearer N&C Securities, with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

7.12 Late payment on Zero Coupon N&C Securities

If the amount payable in respect of any Zero Coupon N&C Security upon early redemption of such Zero Coupon N&C Security pursuant to N&C Security Conditions 7.4 (Redemption for illegality) or 7.5 (Regulatory Redemption Event) above or upon its becoming due and repayable as provided in N&C Security Condition 10 (Events of Default) or otherwise pursuant to any Annex is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon N&C Security shall be the amount calculated as provided in N&C Security Condition 7.7(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon N&C Security becomes due and payable 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 N&C Security have been paid; and

(ii) five (5) days after the date on which the full amount of the moneys payable in respect of such Zero Coupon N&C Securities has been received by the Agent or the Registrar and notice to that effect has been given to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices).

7.13 Other Relevant Definitions

For the purposes of the Conditions:

"**Affiliate**" means, in relation to any entity (the "**First Entity**"), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes "**control**" means ownership of a majority of the voting power of an entity or person or, if the Calculation Agent determines appropriate, the power to direct or cause the direction of the management and policies of the First Entity, whether by contract, or otherwise.

"**Hedging Party**" means the Issuer and/or any Affiliate and/or any other party which conducts hedging arrangements in respect of the Issuer's obligations in respect of the N&C Securities from time to time.

"**Partial Redemption Amount**" means the amount specified as such in the applicable Issue Terms.

8. TAXATION

All payments of principal and interest in respect of the N&C Securities, Receipts and Coupons by the Issuer (or as the case may be, the Guarantor) will be made without withholding or deduction for or on account of any present or future taxes,

duties, assessments or governmental charges of whatever nature imposed or levied unless such withholding or deduction is required by law. In such event, the Issuer (or as the case may be, the Guarantor or the relevant Paying Agent) will make such payment after the withholding or deduction of such taxes, duties, assessments or governmental charges has been made, shall account to the relevant authorities for the amount required to be withheld or deducted and shall not pay any additional amounts to the holders of the N&C Securities, Receipts or Coupons.

9. PRESCRIPTION

The N&C Securities (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of ten (10) years (in the case of principal) and five (5) years (in the case of interest) after the Relevant Date 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 N&C Security Condition 9 or N&C Security Condition 6.1(D) (*Payment of principal in respect of Definitive Bearer N&C Securities - Unmatured Coupons and Talons void*) or any Talon which would be void pursuant to N&C Security Condition 6.1(D) (*Payment of principal in respect of Definitive Bearer N&C Securities - Unmatured Coupons and Talons void*).

For the purposes of these Conditions, 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 Principal Paying Agent or the Registrar, as the case may be 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 N&C Securityholders in accordance with N&C Security Condition 14 (Notices).

10. EVENTS OF DEFAULT

10.1 If (a) any one or more of the following events shall occur and be continuing and (b) the holders of at least twenty-five per cent. (25%) in nominal amount or, in the case of N&C Securities issued in units, of the number of the N&C Securities then outstanding so request, the Issuer by notice in relation to the same event given in accordance with N&C Security Condition 14 (Notices), then, upon the date of such notice requirement in (b) above being satisfied or, in the case of an event as described in (ii) below, on expiry of the relevant time period specified therein, the relevant event shall be treated as an "**Event of Default**" and unless (in the case of (i) or (ii) below) the relevant default(s) or failure(s) shall have been cured by the Issuer or the Guarantor prior to receipt of such written notice, all but not some only of the N&C Securities shall forthwith become due and repayable at the Early Redemption Amount, without presentment, demand, protest or other notice of any kind. For the purposes of (a) above the relevant events are:

(i) default is made for a period of 30 days or more in the payment of any principal or interest (including, for the avoidance of doubt, as applicable, delivery of assets) due in respect of the N&C Securities or any of them. The Issuer and Guarantor shall not, however, be in default if such sums were not paid in order to comply with a mandatory law, regulation or order of any court of competent jurisdiction. Where there is doubt as to the validity or applicability of any such law, regulation or order, the Issuer or, as the case may be, the Guarantor will not be in default if it acts on the advice given to it during such 30 day period by an independent legal adviser; or

(ii) the Issuer or the Guarantor fails to perform or observe any of its other obligations under the N&C Securities, the Guarantee or the Agency Agreement (as the case may be) and such failure continues for the period of 60 days next following the notice requirement as described in (b) above being satisfied; or

(iii) an effective resolution is passed or an order is made for the winding-up or dissolution of the Issuer or the Guarantor (except for the purposes of a reconstruction or amalgamation where the entity resulting from such reconstruction or amalgamation assumes all the rights and obligations of, as the case may be, the Issuer (including its obligations under the N&C Securities) or the Guarantor (including its obligations under the Guarantee)).

At any time after such a declaration of acceleration with respect to the N&C Securities has been made and before a judgment or decree for payment of the money due with respect to any N&C Security has been obtained by any

Securityholder, such declaration and its consequences may be rescinded and annulled upon the written consent of holders of a majority in aggregate nominal amount or, in the case of N&C Securities issued in units, of the number of the N&C Securities then outstanding, or by resolution adopted by a majority in aggregate nominal amount or, in the case of N&C Securities issued in units, of the number of the N&C Securities outstanding present or represented at a meeting of holders of the N&C Securities at which a quorum is present, as provided in the Agency Agreement, if:

(1) (A) the Issuer has paid or deposited with the Principal Paying Agent a sum sufficient to pay:

(i) all overdue amounts of interest on the N&C Securities;

(ii) all other amounts which have become due in respect of the N&C Securities otherwise than by such declaration of acceleration; or

(B) in the case of N&C Securities to be redeemed by physical delivery, the Issuer has delivered the Relevant Assets to any agent appointed by the Issuer to deliver such assets to the N&C Securityholders; and

(2) all Events of Default with respect to the N&C Securities, other than the non-payment of the Early Redemption Amounts which have become due solely by such declaration of acceleration, have been cured or waived by the relevant written resolution or resolution as provided above.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

10.2 Any default by the Issuer or the Guarantor, other than the events described in N&C Security Condition 10.1(i) above, may be waived by the written consent of holders of a majority in aggregate principal amount of the N&C Securities then outstanding affected thereby, or by resolution adopted by a majority in aggregate principal amount of such N&C Securities then outstanding present or represented at a meeting of holders of the N&C Securities affected thereby at which a quorum is present, as provided in the Agency Agreement.

11. REPLACEMENT OF N&C SECURITIES, RECEIPTS, COUPONS AND TALONS

Should any N&C Security or, if applicable, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced, in the case of Definitive Bearer N&C Securities, Receipts or Coupons, at the specified office of the Principal Paying Agent or, in the case of Definitive Registered N&C Securities, at the specified office of the Registrar (or in any case such other place of which notice shall have been given to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) upon payment in any such case by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced N&C Securities or, if applicable, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. AGENTS

The names of the initial Paying Agents 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 Issue Terms.

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

(A) there will at all times be a Principal Paying Agent and a Registrar; and

(B) so long as the N&C Securities are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Definitive Bearer N&C Securities) and a Transfer Agent (in the case of Definitive Registered N&C Securities) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in N&C Security Condition 6.6 (Place of Payment). Notice of any variation, termination, appointment or change in Paying Agents will be given to the N&C Securityholders of the relevant Series of N&C Securities promptly by the Issuer in accordance with N&C Security Condition 14 (Notices).

In acting under the Agency Agreement, the Agents act solely as agents or, as the case may be, a registrar of the Issuer and the Guarantor, and do not assume any obligation to, or relationship of agency or trust with, any N&C Securityholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor Agent.

The Issuer undertakes that, it will ensure that it maintains a Paying Agent with a specified office 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 conform to, any such Directive, provided that under no circumstances shall the Issuer be obliged to maintain a Paying Agent with a specified office in such Member State unless at least one European Member State does not require a Paying Agent making payments through a specified office in that Member State to so withhold or deduct tax.

The Principal Paying Agent shall have no responsibility for errors or omissions in any calculations and determinations made hereunder, and all such calculations and determinations shall (save in the case of manifest error) be final and binding on the Issuer, the Guarantor, the Paying Agents, the N&C Securityholders, the Receiptholders and the Couponholders.

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 Principal Paying 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 N&C Security to which it appertains) a further Talon, subject to the provisions of N&C Security Condition 9 (Prescription).

14. NOTICES

All notices regarding the N&C Securities will be deemed to be validly given if published in one leading English language daily newspaper of general circulation in London. It is expected that, such publication will be made in the Financial Times in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the N&C Securities are for the time being listed or by which they have been admitted to listing. 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 date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner as the Issuer deems appropriate. Any such notice will be deemed to have been given on the date of such notice.

Until such time as any definitive N&C Securities are issued, notice may be given (so long as any Global N&C Securities representing the N&C Securities are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg (and so long as the rules of any stock exchange on which the N&C Securities are listed, or the rules of any other relevant authority by which the N&C Securities have been admitted to listing, permit)) by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (instead of by way of publication or mailing) for communication by them to the holders of the N&C Securities provided that, in addition, for so long as any N&C Securities are listed on a stock exchange or admitted to listing by any other relevant authority and the rules of that stock exchange or other relevant authority so require, such notice will be published in a daily newspaper of general circulation in a place or places required by the rules of that stock exchange or other relevant authority. Any such notice shall be deemed to have been given to the holders of the N&C Securities on the day falling such number of days specified in the Issue Terms after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg, as the case may be.

All notices regarding the Definitive Registered N&C Securities will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective

addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Definitive Registered N&C Securities are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

In the case of Definitive N&C Securities, notices to be given by any N&C Securityholder shall be in writing and given by lodging the same, together with the relative N&C Security or N&C Securities, with the Principal Paying Agent (in the case of Definitive Bearer N&C Securities) or the Registrar (in the case of Definitive Registered N&C Securities). Whilst any of the N&C Securities are represented by a Global N&C Security, such notice may be given by any holder of a N&C Security to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in writing or by facsimile or electronically or in such other manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. SUBSTITUTION

(a) Substitution of Issuer

The Issuer (or any previously substituted company from time to time) shall, without the consent of the N&C Securityholders, be entitled at any time to substitute for the Issuer any other company (the "**Substitute Issuer**") as principal debtor in respect of all obligations arising from or in connection with the N&C Securities provided that (i) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the N&C Securities represent valid, legally binding and enforceable obligations of the Substitute Issuer have been taken, fulfilled and done and are in full force and effect; (ii) the Substitute Issuer shall have assumed all obligations arising from or in connection with the N&C Securities and shall have become a party to the Agency Agreement, with any consequential amendments; (iii) the obligations of the Substitute Issuer in respect of the N&C Securities shall be unconditionally and irrevocably guaranteed by the Guarantor; (iv) each stock exchange or listing authority on which the N&C Securities are listed shall have confirmed that following the proposed substitution of the Substitute Issuer the N&C Securities would continue to be listed on such stock exchange; and (v) the Issuer shall have given at least 14 calendar days' prior notice of the date of such substitution to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices).

(b) Substitution of Branch

The Issuer shall have the right upon notice to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) to change the branch or office through which it is acting for the purpose of the N&C Securities, the date of such change to be specified in such notice provided that no change can take place prior to the giving of such notice.

16. MEETINGS OF N&C SECURITYHOLDERS AND MODIFICATIONS

The Agency Agreement contains provisions for convening meetings of the N&C Securityholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in Schedule 7 of the Agency Agreement) of a modification of the N&C Securities, the Receipts, the Coupons or any of the provisions of the Agency Agreement or the Guarantee. Such a meeting may be convened by the Issuer or the Guarantor at any time and shall be convened by the Issuer at the request of N&C Securityholders holding not less than five per cent. (5%) in nominal amount or number of units of the N&C Securities for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing in the aggregate not less than fifty per cent. (50%) in nominal amount or number of units of the N&C Securities for the time being outstanding, or at any adjourned such meeting one or more persons being or representing N&C Securityholders whatever the nominal amount or number of units of the N&C Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the N&C Securities, the Receipts or the Coupons (including modifying the date of maturity of the N&C Securities 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 N&C Securities or altering the currency in which payments under the N&C Securities, Receipts and Coupons are to be made), the quorum shall be one or more persons holding or representing in the aggregate not less than two-thirds, or, at any adjourned such meeting, one or more persons holding or representing in the aggregate not less than one-third, in nominal amount or number of units of the N&C Securities for the time being outstanding. An

Extraordinary Resolution passed at any meeting of the N&C Securityholders shall be binding on all the N&C Securityholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent or sanction of the N&C Securityholders, Receiptholders or Couponholders to:

(A) any modification of (except as mentioned above) the provisions of the N&C Securities, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the N&C Securityholders; or

(B) any modification of any of the provisions of these Conditions, the N&C Securities, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or is to comply with mandatory provisions of applicable law.

Any such modification shall be binding on the N&C Securityholders, the Receiptholders and the Couponholders and any such modification shall be notified to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) as soon as practicable thereafter.

17. REDENOMINATION

17.1 Redenomination

Redenomination may be specified as applicable in the applicable Pricing Supplement for a Series of Exempt N&C Securities. If redenomination is so specified as applicable, the Issuer may, without the consent of the N&C Securityholders, the Receiptholders and the Couponholders on giving prior notice to the Principal Paying Agent, Euroclear and Clearstream, Luxembourg or the Registrar, as applicable and at least thirty (30) calendar days' prior notice to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) elect that, with effect from the Redenomination Date specified in the notice, the N&C Securities shall be redenominated in euro.

The election will have effect as follows:

(a) the N&C Securities and the Receipts shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each N&C Security and Receipt equal to the nominal amount of that N&C Security or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent or the Registrar, as applicable, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the N&C Securityholders, the stock exchange (if any) on which the N&C Securities may be listed and the Paying Agents of such deemed amendments;

(b) save to the extent that an Exchange Notice has been given in accordance with N&C Security Condition 17.1(d) below, the amount of interest due in respect of the N&C Securities will be calculated by reference to the aggregate nominal amount of N&C Securities presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;

(c) if definitive N&C Securities are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer (i) in the case of Relevant N&C Securities, in the denomination of euro 100,000 and/or such higher amounts as the Agent may determine and notify to the N&C Securityholders and any remaining amounts less than euro 100,000 shall be redeemed by the Issuer and paid to the N&C Securityholders in euro in accordance with N&C Security Condition 6 (Payments); and (ii) in the denominations of euro 1,000, euro 10,000, euro 50,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Principal Paying Agent or the Registrar, as applicable may approve) euro 0.01 and such other denominations as the Principal Paying Agent or the Registrar, as applicable shall determine and notify to the N&C Securityholders;

(d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the N&C Securities) will become void with effect from the date on which the Issuer gives notice (the "**Exchange Notice**") that replacement euro-denominated N&C Securities, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any N&C Securities and Receipts so issued will also become void on that date although those N&C Securities and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated N&C Securities, Receipts and Coupons will be issued in exchange for N&C Securities, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent or the Registrar, as applicable may specify and as shall be notified to the N&C Securityholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the N&C Securities;

(e) after the Redenomination Date, all payments in respect of the N&C Securities, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the N&C Securities to the Specified Currency were to euro. Payments will be made in euro 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, at the option of the payee, by a euro cheque;

(f) if the N&C Securities are Fixed Rate N&C Securities and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:

(i) in the case of the N&C Securities represented by a Global N&C Security, by applying the Rate of Interest to the aggregate outstanding nominal amount of the N&C Securities represented by such Global N&C Security; and

(ii) in the case of definitive N&C Securities, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable 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 N&C Security in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate N&C Security 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;

(g) if the N&C Securities are Floating Rate N&C Securities, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and

(h) such other changes shall be made to this Condition as the Issuer may decide, after consultation with the Principal Paying Agent or the Registrar, as applicable, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in euro.

17.2 Definitions

In the Conditions, the following expressions have the following meanings:

"**Established Rate**" means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

"**euro**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

"**Redenomination Date**" means (in the case of interest bearing N&C Securities) any date for payment of interest under the N&C Securities or (in the case of any other N&C Securities) any date, in each case specified by the Issuer in the notice given to the N&C Securityholders pursuant to N&C Security Condition 17.1 above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union;

"**Relevant N&C Securities**" means all N&C Securities where the applicable Pricing Supplement provide for a minimum Specified Denomination in the Specified Currency which is equivalent to at least euro 100,000 and which are admitted to trading on a regulated market in the European Economic Area; and

"**Treaty**" means the Treaty on the Functioning of the European Union, as amended.

18. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the N&C Securityholders, the Receiptholders or the Couponholders to create and issue further N&C Securities having terms and conditions the same as the N&C Securities or the same in all respects save for the issue price and date of issue thereof and the amount and date of the first payment of interest thereon and so as to be consolidated and form a single Series with the outstanding N&C Securities.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the N&C Securities by virtue of the Contracts (Rights of Third Parties) Act 1999 but this does and affect any right or remedy of any reason which exists or is available apart from that Act.

20. SEVERABILITY

Should any of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not be affected in any way.

21. GOVERNING LAW AND JURISDICTION

21.1 Governing law

The Agency Agreement, the N&C Securities Depositary Agreement, the Guarantee, the Deed of Covenant, the N&C Securities, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Guarantee, the Deed of Covenant, the N&C Securities, the Receipts and the Coupons are governed by, and construed in accordance with, English law.

21.2 Jurisdiction

(a) The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Guarantee, the Deed of Covenant, the N&C Securities, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Guarantee, the Deed of Covenant, the N&C Securities, the Receipts and/or the Coupons (a "**Dispute**") and each of the Issuer and the Guarantor submits and (by their acquisition of N&C Securities) each N&C Securityholder, Receiptholder and Couponholder is deemed to submit to the exclusive jurisdiction of the English courts.

(b) For the purposes of this N&C Security Condition 21.2, each of the Issuer and the Guarantor waives and (by their acquisition of N&C Securities) each N&C Securityholder, Receiptholder and Couponholder is deemed to waive any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

GENERAL TERMS AND CONDITIONS OF THE WARRANTS

*The following general terms and conditions (the "**Warrant Conditions**"), together with the Annex(es) (if applicable), are the terms and conditions (collectively, the "**Conditions**") of the Warrants which will be incorporated by reference into each Global Warrant (as defined below). The applicable Pricing Supplement in relation to any Tranche of Exempt Warrants (as defined below) will complete and supplement the Conditions in relation to each such Tranche of Warrants and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Warrant Conditions, together with the Annex(es) (if applicable), replace or modify the following Warrant Conditions for the purpose of such Warrants. The applicable Final Terms, (or the relevant provisions thereof) or the applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Warrant. In the case of Non-Exempt Warrants (as defined below), reference should be made to the "applicable Final Terms" for a description of the content of the applicable Final Terms which will specify which of such terms are to apply in relation to the relevant Warrants. References in these Conditions to "**Final Terms**" or "**Pricing Supplement**" shall mean a tranche of Warrants issued pursuant to this Base Prospectus and references to "**Issue Terms**" shall mean either (i) in respect of Non-Exempt Warrants, the applicable Final Terms or (ii) in respect of Exempt Warrants, the applicable Pricing Supplement, and should be construed accordingly.*

This Warrant is one of a Series of Warrants issued by Abbey National Treasury Services plc (the "**Issuer**" which expression shall include any substitute pursuant to Warrant Condition 12 (Substitution) below) pursuant to a Warrant Agreement (as defined below). The Warrants of each Series are constituted by a global warrant (the "**Global Warrant**").

References herein to the "**Warrants**" shall be references to the Warrants of this Series and shall include any Global Warrant.

The Warrants have the benefit of an amended and restated warrant agreement dated on or around 28 January 2014 (such Warrant Agreement as amended and/or supplemented and/or restated from time to time, the "**Warrant Agreement**") made between the Issuer, Santander UK plc (the "**Guarantor**") as guarantor, Citibank, N.A., London as principal warrant agent (the "**Principal Warrant Agent**", which expression shall include any additional or successor agent acting in such capacity) and Citigroup Global Markets Deutschland AG as the German warrant agent (the "**German Warrant Agent**" which expression shall include any additional or successor agent acting in such capacity and, together with the Principal Warrant Agent, the "**Warrant Agents**"). The Principal Warrant Agent, the German Warrant Agent and the Calculation Agent are together referred to as the "**Agents**".

References to "**Calculation Agent**" are to the entity specified as such in the applicable Issue Terms or any successor in such capacity.

The Issuer's obligations in respect of this Warrant have been guaranteed by the Guarantor pursuant to a guarantee (such guarantee, as modified, supplemented and/or restated from time to time, the "**Guarantee**") dated 21 February 2013 and executed by the Guarantor. The original Guarantee is held by the Principal Warrant Agent at its specified office.

The issue terms for this Warrant (or the relevant provisions thereof) are set out in Part A of the Final Terms (or Pricing Supplement, in the case of Exempt Warrants) attached to or endorsed on this Warrant which supplement these General Terms and Conditions of the Warrants (the "**Warrants**", which term shall include one or more Annex(es) in the form annexed hereto (each an "**Annex**") if specified as applicable herein and/or in such Final Terms) and, if this Warrant is neither admitted to trading on a regulated market in the European Economic Area nor offered in to the European Economic Area in circumstances where a Prospectus is required to be published under the Prospectus Directive (an "**Exempt Warrant**"), may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify the Conditions for the purposes of this Warrant. 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. Any references to a "**Non-Exempt Warrant**" are to a Warrant that is not an Exempt Warrant. References to the "**applicable Issue Terms**", "**applicable Final Terms**" or "**applicable Pricing Supplement**", as the case may be, are, unless otherwise stated, to Part A of the Final Terms or Pricing Supplement, as applicable (or the relevant provisions thereof) attached to or endorsed on this Warrant.

Any reference to "**Warrantholders**" or "**holders**" in relation to any Warrants shall mean the holders of the Warrants and shall, in relation to any Warrants represented by a Global Warrant, be construed as provided below.

As used herein, "**Tranche**" means Warrants which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Warrants together with any further Tranche or Tranches of Warrants 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, and/or Issue Prices.

Copies of the Warrant Agreement (which contains the form of the Guarantee) are available for inspection during normal business hours at the specified office of each of the Warrant Agents. If the Warrants are to be admitted to trading on the regulated market of the Irish Stock Exchange or the London Stock Exchange plc, the applicable Final Terms will be published on the website of the London Stock Exchange plc or Irish Stock Exchange, as applicable (in the case of the London Stock Exchange plc, through a regulatory information service). If a Warrant is not so listed but is a Non-Exempt Warrant the applicable Final Terms will be published on the website of the Central Bank of Ireland (www.centralbank.ie) as the competent authority of the home member state for such Warrants. If a Warrant is an Exempt Warrant, the applicable Pricing Supplement will only be obtainable by a Warrantholder holding one or more Warrants and such Warrantholder must produce evidence satisfactory to the Issuer and the relevant Warrant Agent as to its holding of such Warrants and identity. The Warrantholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Warrant Agreement, the Guarantee, and the applicable Issue Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Warrant Agreement.

Words and expressions defined in the Warrant Agreement or used in the applicable Issue Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Warrant Agreement and the applicable Issue Terms, the applicable Issue Terms shall prevail. In the case of any inconsistency between any Annex(es) specified as applicable herein and/or in the applicable Issue Terms and other parts of these Conditions, the provisions of the applicable Annex(es) shall prevail unless otherwise specified herein. In the case of any inconsistency between the applicable Issue Terms and the Conditions, the applicable Issue Terms shall prevail.

1. TYPE, TITLE AND TRANSFER

1.1 Type

For any Non-Exempt Warrant, the applicable Final Terms will specify whether this Warrant is an Equity Linked Warrant, an Equity Index/ETF Linked Warrant, an Inflation Index Linked Warrant, a Property Index Linked Warrant and/or a Cross-Asset Linked Warrant.

Non-Exempt Warrants will be Variable Settlement Warrants (as defined in the Payout Annex) depending upon the Warrant Payout extracted, included and completed in the applicable Final Terms.

Unless the Warrants are Exempt Warrants, settlement shall be by way of cash payment ("**Cash Settled Warrants**").

If the Warrants are Exempt Warrants, the Warrant may be designated in the applicable Pricing Supplement as relating to a single equity index or basket of equity indices, a single share or basket of shares, a single inflation index or basket of inflation indices, a single property index or basket of property indices, a single exchange traded fund share or unit or basket of exchange traded fund shares or units and other asset classes or types and accordingly as an Equity Index/ETF Linked Warrant, an Equity Linked Warrant, an Inflation Index Linked Warrant, a Property Index Linked Warrant or any other or further type of warrants including Warrants which relate to any combination of such asset classes or types. Certain terms which will, unless otherwise varied in the applicable Pricing Supplement, apply to Equity Index/ETF Linked Warrants, Equity Linked Warrants, Inflation Index Linked Warrants or Property Index Linked Warrants are set out in the relevant Annex specified to be applicable in the applicable Pricing Supplement for such Warrants.

If the Warrants are Exempt Warrants, the applicable Pricing Supplement will indicate whether such Warrants are Cash Settled Warrants or whether settlement will be by way of physical delivery ("**Physical Delivery Warrants**").

The applicable Issue Terms will indicate whether the Warrants are American style Warrants ("**American Style Warrants**"), European style Warrants ("**European Style Warrants**") or Bermudan style Warrants ("**Bermudan Style Warrants**") or, in the case of Exempt Warrants, such other type as may be specified in the applicable Pricing Supplement. The applicable Issue Terms will also indicate whether the Warrants are call Warrants ("**Call Warrants**") or put Warrants ("**Put Warrants**") and whether Averaging ("**Averaging**") will apply to the Warrants. Warrants must be exercised in Units

and any Exercise Notice which purports to exercise Warrants in breach of this provision shall be void and of no effect. The number of Warrants per Unit shall be 1 Warrant per Unit. If Averaging is specified as applying in the applicable Issue Terms the applicable Issue Terms will state the relevant Averaging Dates and, if an Averaging Date is a Disrupted Day, whether Omission, Postponement or Modified Postponement (each as defined in the relevant Annex) applies.

If the Warrants are Exempt Warrants references in the Conditions, unless the context otherwise requires, to Cash Settled Warrants shall be deemed to include references to Physical Delivery Warrants, which include an option (as set out in the applicable Pricing Supplement) at the Issuer's election to request cash settlement of such Warrant and where settlement is to be by way of cash payment, and references in the Conditions, unless the context otherwise requires, to Physical Delivery Warrants shall be deemed to include references to Cash Settled Warrants which include an option (as set out in the applicable Pricing Supplement) at the Issuer's election to request physical delivery of the relevant underlying asset in settlement of such Warrant and where settlement is to be by way of physical delivery.

If the Warrants are Exempt Warrants the Warrants may allow holders to elect for settlement by way of cash payment or by way of physical delivery or by such other method of settlement as is specified in the applicable Pricing Supplement. Those Warrants where the holder has elected for cash payment will be Cash Settled Warrants and those Warrants where the holder has elected for physical delivery will be Physical Delivery Warrants. The rights of a holder as described in this paragraph may be subject to the Issuer's right to vary settlement as indicated in the applicable Pricing Supplement.

1.2 Title to Warrants

Each person who is for the time being shown in the records of Clearstream, Luxembourg or of Euroclear as the holder of a particular number of Warrants (in which regard any warrant or other document issued by Clearstream, Luxembourg or Euroclear as to the amount of Warrants 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 Guarantor and the Warrant Agents as the holder of such amount of Warrants for all purposes (and the expressions "**Warrantholder**" and "**holder of Warrants**" and related expressions shall be construed accordingly).

1.3 Transfers of Warrants

All transactions (including transfers of Warrants) in the open market or otherwise must be effected through an account at Clearstream, Luxembourg or Euroclear subject to and in accordance with the rules and procedures for the time being of Clearstream, Luxembourg or of Euroclear, as the case may be. Title will pass upon registration of the transfer in the books of either Clearstream, Luxembourg or Euroclear, as the case may be. Transfers of Warrants may not be effected after the exercise of such Warrants pursuant to Warrant Condition 5 (Exercise Procedure).

The Warrants shall only be transferred in Clearstream, Luxembourg or Euroclear in Units, with each Unit representing 1 Warrant. The applicable Issue Terms will also specify the Minimum Tradeable Size and, if applicable, the Multiple Tradeable Size expressed in Units. Any transfers may only be made in the Minimum Tradeable Size and the Multiple Tradeable Size in excess thereof specified in the applicable Issue Terms.

Transfers of Warrants may only be made, prior to expiry of the Distribution Compliance Period (as defined below), upon certification (in the form from time to time available from any Warrant Agent) to the Principal Warrant Agent by the transferor thereof that such transfer is being made to a non-U.S. person in an offshore transaction pursuant to Regulation S and, after the expiration of the Distribution Compliance Period, to a non-U.S. person in an offshore transaction pursuant to Regulation S but without such certification.

If the Principal Warrant Agent subsequently determines or is subsequently notified by the Issuer that (i) the Warrantholder was in breach, at the time given, of any representation or agreement given by such Warrantholder or (ii) a transfer or attempted transfer of any Warrants was consummated that did not comply with the transfer restrictions set forth in this Warrant Condition 1.3, the purported transfer shall be absolutely null and *void ab initio* and shall vest no rights in the purported transferee (such purported transferee, a "**Disqualified Transferee**") and the last preceding Warrantholder that was not a Disqualified Transferee shall be restored to all rights as a Warrantholder in such Warrants retroactively to the date of transfer of such Warrants by such Warrantholder. The Calculation Agent will make any adjustments to the Conditions as it determines appropriate to reflect any such event.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or any additional or alternative clearing system specified in Part B of the applicable Issue Terms or, in the case of Exempt Warrants only, otherwise approved by the Issuer, the Guarantor and the Warrant Agents and notified to the Warrantholders in accordance with Warrant Condition 11 (Notices) (each a "**Clearance System**").

2. STATUS OF THE WARRANTS

The Warrants are direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves and (subject to any applicable statutory provisions or judicial order) at least equally with all other present and future direct, unconditional, unsecured and unsubordinated obligations of the Issuer.

3. STATUS OF THE GUARANTEE

The obligations of the Guarantor under the Guarantee are direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and rank *pari passu* with all present and future direct, unconditional, unsecured and unsubordinated obligations (including those arising under deposits received in its banking business) of the Guarantor, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.

Subject as provided below and in the Guarantee, the Guarantor has unconditionally and irrevocably:

(a) guaranteed to each Warrantholder all obligations of the Issuer in respect of such Warrantholder's Warrants as and when such obligations become due; and

(b) agreed that if and each time that the Issuer fails to satisfy any obligation under such Warrants as and when such obligation becomes due, the Guarantor will (without requiring the relevant Warrantholder first to take steps against the Issuer or any other person) make or cause to be made such payment or satisfy or cause to be satisfied such obligation punctually when and as the same shall become due and payable or due to be satisfied, as the case may be, as though the Guarantor were the principal obligor in respect of such obligation.

As more fully set forth in the Guarantee, the Guarantor shall at all times have the right, in its sole and unfettered discretion, to elect not to deliver or procure delivery of the Entitlement (as specified in the applicable Pricing Supplement) to the holders of Physical Delivery Warrants when the same shall become due and deliverable, but in lieu thereof to make payment in respect of each Physical Delivery Warrant to the holder(s) of such Physical Delivery Warrant of an amount determined by the Guarantor in good faith and in a commercially reasonable manner to be equal to the fair market value of the assets to which the Entitlement in respect of the relevant Exempt Warrant relates less such Exempt Warrant's *pro rata* share of the costs of unwinding any underlying related hedging and/or funding arrangements of the Issuer and/or Guarantor (the "**Guaranteed Cash Settlement Amount**"). Any payment of the Guaranteed Cash Settlement Amount in lieu of the relevant Entitlement shall constitute a complete discharge of the Guarantor's obligations in respect of the relevant Exempt Warrants save as to any other cash amounts due in respect of such Exempt Warrants.

4. EXERCISE RIGHTS

4.1 Exercise Period

(A) *American Style Warrants*

American Style Warrants are exercisable on any Exercise Business Day during the Exercise Period.

If Automatic Exercise is not specified as applying in the applicable Issue Terms, any American Style Warrant with respect to which no Exercise Notice (as defined below) has been delivered in the manner set out in Warrant Condition 5 (Exercise Procedure), at or prior to 10.00 a.m., Luxembourg or Brussels time, as appropriate, on the Expiration Date, shall become void.

If Automatic Exercise is specified as applying in the applicable Issue Terms, any American Style Warrant with respect to which no Exercise Notice (as defined below) has been delivered in the manner set out in Warrant Condition 5 (Exercise Procedure), at or prior to 10.00 a.m., Luxembourg or Brussels time, as the case may be, on the last Exercise Business Day of the Exercise Period (in respect of an American Style Warrant, the "**Expiration Date**") and which in the determination of the Calculation Agent is "In-The-Money", shall be exercised by the Principal Warrant Agent on behalf of the relevant Warrantholder on the Expiration Date. The expression "exercise", "due exercise" and related expressions shall be construed to apply to any American Style Warrants which Automatic Exercise applies in accordance with this provision.

With respect to an American Style Warrant, the "**Actual Exercise Date**" means (i) the Exercise Business Day during the Exercise Period on which an Exercise Notice is delivered prior to 10.00 a.m., Luxembourg or Brussels time (as appropriate), to Clearstream, Luxembourg or Euroclear, as the case may be, and the copy thereof so received by the Principal Warrant Agent or, (ii) if Automatic Exercise is specified as applying in the applicable Issue Terms and there is no earlier Actual Exercise Date under (i) above and Automatic Exercise occurs on the Expiration Date in accordance with the preceding paragraph, the Expiration Date. If any Exercise Notice is received by Clearstream, Luxembourg or Euroclear, as the case may be, or if the copy thereof is received by the Principal Warrant Agent, in each case, after 10.00 a.m., Luxembourg or Brussels time (as appropriate), on any Exercise Business Day during the Exercise Period, such Exercise Notice will be deemed to have been delivered on the next Exercise Business Day, which Exercise Business Day shall be deemed to be the Actual Exercise Date, provided that any such Warrants in respect of which no Exercise Notice has been delivered in the manner set out in Warrant Condition 5 (Exercise Procedure) at or prior to 10.00 a.m. Luxembourg or Brussels time (as appropriate) on the Expiration Date shall (i) if Automatic Exercise is not specified as applying in the applicable Issue Terms, become void, or (ii) if Automatic Exercise is specified as applying in the applicable Issue Terms, be automatically exercised on the Expiration Date, subject as provided above.

(B) *European Style Warrants*

European Style Warrants are only exercisable on the Exercise Date.

If Automatic Exercise is not specified as applying in the applicable Issue Terms, any European Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Warrant Condition 5 (Exercise Procedure), at or prior to 10.00 a.m. (Luxembourg or Brussels time, as appropriate) on the Exercise Date or if such day is not an Exercise Business Day, the immediately following Exercise Business Day (in respect of a European Style Warrant, the "**Actual Exercise Date**" and the "**Expiration Date**"), shall become void.

If Automatic Exercise is specified as applying in the applicable Issue Terms, any such European Style Warrant which in the determination of the Calculation Agent is "In-The-Money", shall be automatically exercised by the Principal Warrant Agent on behalf of the Warrantholders on the Actual Exercise Date and the provisions of Warrant Condition 5 (Exercise Procedure) shall apply. The expression "exercise", "due exercise" and related expressions shall be construed to apply to any European Style Warrants to which Automatic Exercise applies in accordance with this provision.

(C) *Bermudan Style Warrants*

Bermudan Style Warrants are exercisable on each Exercise Date or if any Exercise Date is not an Exercise Business Day, the immediately following Exercise Business Day.

If Automatic Exercise is not specified as applying in the applicable Issue Terms, any Bermudan Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Warrant Condition 5 (Exercise Procedure), at or prior to 10.00 a.m. (Luxembourg or Brussels time, as appropriate) on the last Exercise Date or if such day is not an Exercise Business Day, the immediately following Exercise Business Day (in respect of a Bermudan Style Warrant, the "**Expiration Date**"), shall become void.

If Automatic Exercise is specified as applying in the applicable Issue Terms, any such Bermudan Style Warrant with respect to which no Exercise Notice (as defined below) has been delivered in the manner set out in Warrant Condition 5 (Exercise Procedure), at or prior to 10.00 a.m., Luxembourg or Brussels time, as the case may be, on the Expiration Date, and which in the determination of the Calculation Agent is "In-The-Money", shall be exercised by the Principal Warrant Agent on behalf of the relevant Warrantholder on the Expiration Date. The expression "exercise", "due exercise" and

related expressions shall be construed to apply to any Bermudan Style Warrants to which Automatic Exercise applies in accordance with this provision.

With respect to a Bermudan Style Warrant, the "**Actual Exercise Date**" means (i) the Exercise Date, or if such Exercise Date is not an Exercise Business Day, the immediately following Exercise Business Day, on which an Exercise Notice is delivered prior to 10.00 a.m., Luxembourg or Brussels time (as appropriate), to Clearstream, Luxembourg or Euroclear, as the case may be, and the copy thereof so received by the Principal Warrant Agent or, (ii) if Automatic Exercise is specified as applying in the applicable Issue Terms and there is no earlier Actual Exercise Date under (i) above and Automatic Exercise occurs on the Expiration Date in accordance with the preceding paragraph, the Expiration Date. If any Exercise Notice is received by Clearstream, Luxembourg or Euroclear, as the case may be, or if the copy thereof is received by the Principal Warrant Agent, in each case, after 10.00 a.m., Luxembourg or Brussels time (as appropriate), on any Exercise Date, or if such Exercise Date is not an Exercise Business Day, the immediately following Exercise Business Day, such Exercise Notice will be deemed to have been delivered on the next Exercise Date (or if such Exercise Date is not an Exercise Business Day, the immediately following Exercise Business Day), which Exercise Date (or if such Exercise Date is not an Exercise Business Day, the immediately following Exercise Business Day) shall be deemed to be the Actual Exercise Date, provided that any such Warrant in respect of which no Exercise Notice has been delivered in the manner set out in Warrant Condition 5 (Exercise Procedure) at or prior to 10.00 a.m. Luxembourg or Brussels time (as appropriate) on the Expiration Date shall (i) if Automatic Exercise is not specified as applying in the applicable Issue Terms, become void or (ii) Automatic Exercise is specified as applying in the applicable Issue Terms, be automatically exercised on the Expiration Date, subject as provided above.

For the purposes of this Warrant Condition 4.1, "**In-The-Money**" means:

(i) in the case of a Cash Settled Warrant, the Cash Settlement Amount in respect of such Cash Settlement Warrant is greater than zero; and

(ii) in the case of a Physical Delivery Warrant, the Assessed Value Payment Amount for such Physical Delivery Warrant is greater than zero,

in each case in the determination of the Calculation Agent.

4.2 Cash Settlement

Unless the Warrants are Exempt Warrants, each Unit entitles its holder, upon due exercise, to receive from the Issuer on the Settlement Date a Cash Settlement Amount as provided in the relevant paragraph of the Payout Annex.

(A) Cash Settlement Amount

If the Warrants are Exempt Warrants which are Cash Settled Warrants, unless otherwise specified in the Pricing Supplement, each Unit entitles its holder, upon due exercise, to receive from the Issuer on the Settlement Date a Cash Settlement Amount calculated by the Calculation Agent (which shall not be less than zero) equal to:

(i) where Averaging is not specified in the applicable Pricing Supplement:

(a) if such Units represent Call Warrants,

(Settlement Price less Exercise Price); and

(b) if such Units represent Put Warrants,

(Exercise Price less Settlement Price).

(ii) where Averaging is specified in the applicable Pricing Supplement:

(a) if such Units represent Call Warrants,

((i) the arithmetic mean of the Settlement Prices for all the Averaging Dates less (ii) Exercise Price); and

(b) if such Units represent Put Warrants,

((i) Exercise Price less (ii) the arithmetic mean of the Settlement Prices for all the Averaging Dates).

Any amount determined pursuant to the above, if not an amount in the Specified Currency, will be converted into the Specified Currency at the Exchange Rate specified in the applicable Pricing Supplement for the purposes of determining the Cash Settlement Amount.

(B) Rounding provisions

If "**Rounded Up**" is specified in the applicable Issue Terms, Warrants exercised at the same time by the same Warrantholder will be aggregated for the purposes of determining the aggregate Cash Settlement Amount payable in respect of such Warrants, with the resultant amount rounded up to the nearest sub-unit.

If "**Rounded Down**" is specified in the applicable Issue Terms, Warrants exercised at the same time by the same Warrantholder will be aggregated for the purposes of determining the aggregate Cash Settlement Amount payable in respect of such Warrants, with the resultant amount rounded down to the nearest sub-unit.

For this purpose, "**sub-unit**" means (i) for any non-euro denominated Warrants, the lowest amount of the Specified Currency that is available as legal tender in the country of such currency and (ii) for any euro denominated Warrants, one cent.

4.3 Physical Settlement

This Warrant Condition 4.3 shall only apply to Exempt Warrants.

(A) Exercise Rights in relation to Physical Delivery Warrants

(1) Asset Transfer Notices

In relation to Physical Delivery Warrants, in order to obtain delivery of the Entitlement on the Settlement Date in respect of each Warrant upon due exercise and subject to payment of the relevant Exercise Price and any other sums payable, the relevant Warrantholder must deliver to Euroclear or Clearstream, Luxembourg (as applicable), with a copy to the Principal Warrant Agent and the Calculation Agent not later than the close of business in each place of reception on or prior to 10:00 a.m. Luxembourg or Brussels time (as appropriate) on the Expiration Date, a duly completed Asset Transfer Notice in the form set out in the Warrant Agreement, together, in the case of any Physical Delivery Warrants that are not specified in the applicable Pricing Supplement to be Automatic Exercise, an Exercise Notice as specified in Warrant Condition 5.1(a).

Copies of the Asset Transfer Notice may be obtained during normal business hours from the specified office of the Principal Warrant Agent.

An Asset Transfer Notice may only be delivered in such manner as is acceptable to Euroclear or Clearstream, Luxembourg, as the case may be.

The Asset Transfer Notice shall:

(i) specify the name, address and contact telephone number of the relevant Warrantholder and the person from whom the Issuer may obtain details for the delivery of the Entitlement;

(ii) specify the number of Warrants and, if applicable, Units which are the subject of such notice and the number of the Warrantholder's account at Euroclear or Clearstream, Luxembourg, as the case may be,

to be debited with such Warrants and irrevocably instruct and authorise Euroclear or Clearstream, as the case may be, to debit the relevant Warrantholder's account on or before the Settlement Date;

(iii) include an undertaking to pay all Exercise Expenses (as defined in Warrant Condition 4.7) and an authority to Euroclear or Clearstream, Luxembourg, as the case may, be to debit a specified account of the Warrantholder with Euroclear or Clearstream, Luxembourg, as the case may be, in respect thereof and to pay such Exercise Expenses;

(iv) include such details as are required for delivery of the Entitlement which may include account details and/or the name and address of any person(s) into whose name evidence of the Entitlement is to be registered and/or any bank, broker or agent to whom documents evidencing the Entitlement are to be delivered and specify the name and number of the Warrantholder's account to be credited with any cash payable by the Issuer, either in respect of any cash amount constituting the Entitlement or any dividends relating to the Entitlement or as a result of the occurrence of a Settlement Disruption Event and the Issuer electing to pay the Disruption Cash Settlement Price;

(v) certify, *inter alia*, that the beneficial owner of each Warrant is not a U.S. person (as defined in the Asset Transfer Notice), the Warrant is not being exercised within the United States or on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with any exercise thereof, and where appropriate, undertake to provide such various forms of certification in respect of restrictions under the securities, commodities, tax and other laws of the United States of America, as required by the Issuer or indicated and set out in the applicable Pricing Supplement; and

(vi) authorise the production of such certification in any applicable administrative or legal proceedings,

all as provided in the Warrant Agreement.

(2) Verification of the Warrantholder

Upon receipt of an Asset Transfer Notice, Euroclear or Clearstream, Luxembourg, as the case may be, shall verify that the person delivering the Asset Transfer Notice is the holder of the Warrants described therein according to its records. Subject thereto, Euroclear or Clearstream, Luxembourg, as the case may be, will confirm to the Principal Warrant Agent the series number and number of Warrants which are the subject of such notice, the relevant account details and the details for the delivery of the Entitlement of each Warrant. Upon receipt of such confirmation, the Principal Warrant Agent will inform the Issuer thereof. Euroclear or Clearstream, Luxembourg as the case may be will on or before the Settlement Date debit the securities account of the relevant Warrantholder with the relevant Warrants.

(3) Determinations

Any determination as to whether an Asset Transfer Notice is duly completed and in proper form shall be made by Euroclear or Clearstream, Luxembourg, as the case may be, in consultation with the Principal Warrant Agent, and shall be conclusive and binding on the Issuer, the Principal Warrant Agent(s) and the relevant Warrantholder. Subject as set out below, any Asset Transfer Notice so determined to be incomplete or not in proper form, or which is not copied to the Principal Warrant Agent immediately after being delivered or sent as provided in paragraph 11(A)(1) below, shall be null and void.

If such Asset Transfer Notice is subsequently corrected to the satisfaction of Euroclear or Clearstream, Luxembourg, as the case may be, in consultation with the Principal Warrant Agent, it shall be deemed to be a new Asset Transfer Notice submitted at the time such correction was delivered as provided above.

No Asset Transfer Notice may be withdrawn after receipt thereof by the relevant Clearance System or the Principal Warrant Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice, the relevant Warrantholder may not transfer the Warrants which are the subject of such notice.

(4) Delivery

(a) Subject to:

(i) an Asset Transfer Notice having been duly delivered as provided above on or prior to the Expiration Date together, in the case of any Physical Delivery Warrants that are not specified in the applicable Pricing Supplement to be Automatic Exercise, an Exercise Notice having been duly delivered as specified in Warrant Condition 5.1(a); and

(ii) all Exercise Expenses having been paid or otherwise accounted for to the satisfaction of the Issuer by the relevant Warrantholder,

the Issuer shall, at the risk of the relevant Warrantholder, deliver or procure the delivery of the Entitlement for each Warrant, pursuant to the details specified in the Asset Transfer Notice or in such commercially reasonable manner as the Calculation Agent shall in its sole discretion determine and notify to the person designated by the Warrantholder in the relevant Asset Transfer Notice, on the applicable Settlement Date (such date, subject to adjustment in accordance with this Warrant Condition, the "**Settlement Date**"). Where the Asset Transfer Notice stipulates that the Entitlement should be delivered to a specified clearing system, the Issuer's or the Guarantor's obligation to deliver such Entitlement will be discharged by delivery to, or to the order of, the relevant clearing system and each of the persons shown in the records of the relevant clearing system as the account holder must look solely to the relevant clearing system for his share of any Entitlement so delivered.

(b) If a Warrantholder fails to deliver an Asset Transfer Notice as provided herein with a copy to the Warrant Agent, on or prior to the Expiration Date, then:

(iii) the Issuer may elect, in its sole discretion to deliver or procure the delivery of the aggregate Entitlements for all such affected Warrants, at the risk of the relevant Warrantholder, to, or to the order of, the relevant Clearance System(s) in which the Warrants are held (and this may be after the date fixed for cancellation) and its obligation to deliver any such Entitlement so delivered shall be discharged thereby. Each of the persons shown in the records of the relevant Clearance System as the holder of a particular amount of the Warrants must look solely to the relevant Clearance System for his share of each such Entitlement so delivered to, or to the order of, such Clearance System. For the purposes of paragraph (5) below, each Clearance System will be deemed to be a single Warrantholder and each Clearance System will be requested to divide and deliver such Entitlements in accordance with its rules; or

(iv) the Entitlement will be delivered as soon as practicable after the Settlement Date at the risk of such Warrantholder in the manner provided in paragraph (a) above. For the avoidance of doubt, in such circumstances such Warrantholder shall not be entitled to any payment as a result of such delivery falling after the Settlement Date and no liability in respect thereof shall attach to the Issuer.

(c) To the extent that the Issuer is not satisfied that the Exercise Expenses have been or will be paid in full by the relevant Warrantholder on or prior to the relevant Settlement Date, the Issuer may, in its sole discretion, elect to reduce the Entitlement(s) to be delivered by an amount(s) which by market value (determined at the time of reduction by reference to such valuation sources as the Issuer determines appropriate) in aggregate is at least equal to the aggregate Exercise Expenses that it determines, in its sole discretion, have not been paid or otherwise accounted for (the Entitlement as so reduced, the "**Reduced Entitlement**"). Where the Issuer elects to make such a reduction, in accordance with this Warrant Condition 4.3(A)(4)(c), the Issuer's obligation to deliver the Entitlement(s) shall be discharged in full by delivery of the Reduced Entitlement in accordance with the provisions of this Warrant Condition 4.3(A)(4)(c). The provisions of paragraphs (5) and (6) of this Warrant Condition 4.3(A) and the provisions of Warrant Condition 4.3(B) shall apply *mutatis mutandis* to any such delivery of the Reduced Entitlement.

(5) General

For the purpose of determining the Entitlements in respect of the Warrants, Warrants held by the same Warrantholder will be aggregated. The aggregate Entitlement(s) to be delivered in respect of each such aggregated holding will be rounded down to the nearest whole unit of the Relevant Asset (or, where there is more than one type of Relevant Asset, each of the Relevant Assets), as the case may be, in such manner as the Calculation Agent shall determine. Therefore, fractions of the Relevant Asset or of each of the Relevant Assets, as the case may be, will not be delivered but in lieu thereof the Issuer shall pay to the Warrantholders in respect of their respective holding an additional amount in the Specified Currency equal to the fair market value of such fraction(s) in such manner as shall be determined by the Calculation Agent acting in good faith and in a commercially reasonable manner and notified to Warrantholders in accordance with Warrant Condition 11 (Notices).

Following the Settlement Date of a Share or other Relevant Asset, all dividends on such Share or other distributions with respect to such other the Relevant Asset to be delivered will be payable to the party that would receive such dividend according to market practice for a sale of the Shares or other Relevant Asset executed on the Settlement Date and to be delivered in the same manner as such relevant Shares. Any such dividends to be paid to a Warrantholder will be paid to the account specified by the Warrantholder in the relevant Asset Transfer Notice or otherwise paid to the relevant Clearance System for the account of Warrantholders.

For such period of time after delivery of the Entitlement as the Issuer or any person acting on behalf of the Issuer shall continue to be the legal owner of the securities comprising the Entitlement (the "**Intervening Period**"), none of the Issuer, the Warrant Agents or any other person shall at any time (i) be under any obligation to deliver or procure delivery to any Warrantholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of such securities or obligations, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to such securities or obligations or (iii) be under any liability to a Warrantholder in respect of any loss or damage which such Warrantholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of such securities or obligations comprised in such Entitlement or otherwise as specified in the applicable Pricing Supplement.

(6) Settlement Disruption

If, in the opinion of the Calculation Agent, delivery of the Entitlement using the method of delivery specified in the applicable Pricing Supplement or such commercially reasonable manner as the Calculation Agent has determined is not practicable by reason of a Settlement Disruption Event (as defined below) having occurred and continuing on the Settlement Date, then the Settlement Date shall be postponed to the first following Settlement Business Day in respect of which there is no such Settlement Disruption Event unless there is a Settlement Disruption Event on each of the ten (10) Settlement Business Days immediately following the original date that, but for such Settlement Disruption Event, would have been a valid Settlement Date. In that case, (a) if the Entitlement can be delivered in any other commercially reasonable manner, as determined by the Calculation Agent, the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Warrant by delivering the Entitlement using such other commercially reasonable manner as it may select and in such event the Settlement Date shall be the first day on which settlement of a sale of Relevant Assets comprising the Entitlement executed on that tenth (10) Clearance System Business Day would customarily take place using such other commercially reasonable manner, and (b) if the Relevant Assets comprising the Entitlement cannot be delivered in any other commercially reasonable manner, then the Settlement Date will be postponed until delivery can be effected in the manner contemplated in the Asset Transfer Notice or in any other commercially reasonable manner, as determined by the Calculation Agent. For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Relevant Assets comprising the Entitlement, the Settlement Date for the Relevant Assets not affected by the Settlement Disruption Event will be the originally designated Settlement Date. For so long as delivery of the Entitlement is not practicable by reason of a Settlement Disruption Event, then in lieu of physical settlement and notwithstanding any other provision hereof the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Warrant by payment to the relevant Warrantholder of the Disruption Cash Settlement Price (as defined below) on the fifth (5th) Business

Day following the date that notice of such election is given to the Warrantholders in accordance with Warrant Condition 11 (Notices). Payment of the Disruption Cash Settlement Price will be made in such manner as shall be notified to the Warrantholders in accordance with Warrant Condition 11 (Notices). The Calculation Agent shall give notice as soon as practicable to the Warrantholders in accordance with Warrant Condition 11 (Notices) that a Settlement Disruption Event has occurred. No Warrantholder shall be entitled to any payment in respect of the relevant Warrant in the event of any delay in the delivery of the Entitlement due to the occurrence of a Settlement Disruption Event and no liability in respect thereof shall attach to the Issuer.

(B) Definitions specific to Physical Delivery

"**Asset Transfer Notice**" shall mean the notice in the form set out in the Warrant Agreement.

"**Disruption Cash Settlement Price**", in respect of any relevant Warrant, shall be the fair market value of such Warrant expressed in the Specified Currency (taking into account any relevant currency exchange rate and, where the Settlement Disruption Event affected some but not all of the Relevant Assets comprising the Entitlement and such non-affected Relevant Assets have been duly delivered as provided above, the value of such Relevant Asset), all as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner.

"**Expiration Date**" has the meaning specified in the applicable Pricing Supplement.

"**Settlement Business Day**" has the meaning specified in the applicable Pricing Supplement.

"**Settlement Disruption Event**" means, in the opinion of the Calculation Agent, an event beyond the control of the Issuer as a result of which the Issuer or the Guarantor, as the case may be, cannot make delivery of the Relevant Assets using the method specified in the applicable Pricing Supplement.

4.4 Issuer's Option to Vary Settlement

If the Warrants are Exempt Warrants and the applicable Pricing Supplement indicates that the Issuer has an option to vary settlement in respect of the Warrants, upon a valid exercise of a Warrant in accordance with the Conditions, the Issuer may at its sole and unfettered discretion in respect of such Warrant, elect not to pay the relevant Warrantholders the Cash Settlement Amount or to deliver or procure delivery of the Entitlement to the relevant Warrantholders, as the case may be, but, in lieu thereof to deliver or procure delivery of the Entitlement or make payment of the Cash Settlement Amount on the Settlement Date to the relevant Warrantholders, as the case may be. Notification of such election will be given to Warrantholders no later than 10.00 a.m. (London time) on the second Business Day following the Actual Exercise Date.

4.5 General

In relation to any Warrants where Automatic Exercise is specified as applying in the applicable Issue Terms, the expressions "exercise", "due exercise" and related expressions shall be construed to apply to any such Warrants which are automatically exercised in accordance with the above provisions.

None of the Issuer, the Guarantor, the Calculation Agent and the Warrant Agents shall have any responsibility for any errors or omissions in the calculation of any Cash Settlement Amount or, in the case of Exempt Warrants, of any Entitlement.

The purchase of Warrants does not confer on any holder of such Warrants any rights (whether in respect of voting, distributions or otherwise) attaching to any Relevant Asset.

All references in this Warrant Condition to "**Luxembourg or Brussels time**" shall, where Warrants are cleared through an additional or alternative clearing system, be deemed to refer as appropriate to the time in the city where the relevant clearing system is located.

4.6 Business Day Convention

If the date for payment of any amount due in respect of any Warrant is not a Business Day, the Warrantholder shall not be entitled to payment until:

(a) if "**Following**" is specified in the applicable Issue Terms, the next following Business Day; or

(b) if "**Modified Following**" is specified in the applicable Issue Terms, the next following Business Day unless that day falls in the next calendar month, in which case the first preceding day that is a Business Day,

in each case with payment being made in the relevant place and the Warrantholder shall not be entitled to any further payment in respect of such delay. If no Business Day Convention is specified in the applicable Issue Terms, the "Following" Business Day Convention will apply to the Warrants.

4.7 Definitions

For the purposes of the Conditions, the following general definitions will apply:

"**Business Day**" means (i) a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the relevant Business Day Centre(s) and Clearstream, Luxembourg and Euroclear are open for business and (ii) for the purposes of making payments in euro, any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (or any successor thereto) is open (the "**TARGET2 System**").

"**Cash Settlement Amount**" means, in relation to each Cash Settled Warrant, the aggregate amount to which the Warrantholder is entitled in the Specified Currency in relation to such Cash Settled Warrant. The Cash Settlement Amount shall be rounded to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards if "Rounded Up" is specified in the applicable Issue Terms or (b) rounded downwards if "Rounded Down" is specified in the applicable Issue Terms, in each case as provided in Warrant Condition 4.2 (Cash Settlement).

"**Costs**" means costs, losses, expenses, taxes and/or duties including any applicable depositary charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties (together with any interest additions to tax or penalties applicable thereto and any interest in respect of such additions or penalties).

"**Distribution Compliance Period**" means either the period expiring (i) 40 days after completion of the distribution of the relevant Warrants or (ii) such longer period as may be specified in the applicable Issue Terms.

"**Entitlement**" means, in relation to a Physical Delivery Warrant, the aggregate quantity of the Relevant Asset or the Relevant Assets, as the case may be, which a Warrantholder is entitled to receive on the Settlement Date in relation to such Physical Delivery Warrant. The Entitlement shall be rounded down as provided in Warrant Condition 4.3(A), as determined by the Calculation Agent including any documents evidencing such Entitlement.

"**Exercise Business Day**" means:

(a) in the case of Cash Settled Warrants, a day that is a Business Day; and

(b) in the case of Physical Delivery Warrants, a day that is a Business Day and a Scheduled Trading Day.

"**Exercise Date**" is as specified in the applicable Issue Terms, provided that, if such date is not an Exercise Business Day the Exercise Date shall be the immediately succeeding Exercise Business Day.

"**Exercise Expenses**" means, in relation to any Warrant, all costs, taxes, duties and/or expenses, including any applicable depository charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other costs, taxes or duties (together with any interest additions to tax or penalties applicable thereto and

any interest in respect of such additions or penalties) which the Calculation Agent determines may be or would be, or would have been incurred (A) in connection with (I) the exercise of such Warrants and, (II) in the case of Physical Delivery Warrants, any payment and/or the delivery or transfer of the Entitlement relating to such Warrants and (B) by the Issuer or any Affiliate had such entity unwound or varied any underlying related hedging arrangements in respect of the Warrants

"**Exercise Price**" is as specified in the applicable Issue Terms.

"**Minimum Tradeable Amount**" is as specified in the applicable Issue Terms and in Warrant Condition 1.3.

"**Multiple Tradeable Amount**" is as specified in the applicable Issue Terms and in Warrant Condition 1.3.

"**Relevant Asset**" is as specified in the applicable Pricing Supplement.

"**Scheduled Trading Day**" is as defined in the applicable Annex in respect of the Relevant Asset.

"**Settlement Date**" means:

(a) in relation to Cash Settled Warrants, (i) the relevant Scheduled Settlement Date specified in the applicable Issue Terms or, if later (ii) the Specified Number of Days Postponement following the relevant Exercise Date; or

(b) in relation to Physical Delivery Warrants, the date specified as the Scheduled Settlement Date in the applicable Pricing Supplement.

"**Settlement Price**" is as specified in the applicable Pricing Supplement.

5. EXERCISE PROCEDURE

5.1 Exercise Notice

Other than in the case of Automatic Exercise, Warrants may only be exercised by the delivery, (which may include the sending by fax), of a duly completed exercise notice (an "**Exercise Notice**") in the form set out in the Warrant Agreement (copies of which form may be obtained from Clearstream, Luxembourg, Euroclear and the Warrant Agents during normal office hours) to Clearstream, Luxembourg or Euroclear, as the case may be, with a copy to the Principal Warrant Agent in accordance with the provisions set out in Warrant Condition 4.1 (Exercise Period) and this Warrant Condition 5.1 (Exercise Notice).

(a) In the case of Cash Settled Warrants, the Exercise Notice shall:

(i) specify the series number of Units and the corresponding amount of Warrants being exercised;

(ii) specify the number of the Warrantholder's securities account at Clearstream, Luxembourg or Euroclear, as the case may be, to be debited with the number of Units representing the Warrants being exercised;

(iii) irrevocably instruct Clearstream, Luxembourg or Euroclear, as the case may be, to debit on or before the Settlement Date the Warrantholder's securities account with the number of Units representing the Warrants being exercised;

(iv) specify the number of the Warrantholder's account at Clearstream, Luxembourg or Euroclear, as the case may be, to be credited with the Cash Settlement Amount (if any) for the number of Units representing the Warrant being exercised;

(v) include an undertaking to pay all Exercise Expenses and an authority to Clearstream, Luxembourg or Euroclear to deduct an amount in respect thereof from any Cash Settlement Amount due to such Warrantholder and/or to debit a specified account of the Warrantholder at Clearstream, Luxembourg or Euroclear, as the case may be, in respect thereof and to pay such Exercise Expenses;

(vi) certify, *inter alia*, that the beneficial owner of each Warrant being exercised is not a US person (as defined in the Exercise Notice), the Warrant is not being exercised within the United States or on behalf of a US person and no cash has been or will be delivered within the United States or to, or for the account or benefit of, a US person in connection with any exercise thereof, and where appropriate, undertake to provide such various forms of certification in respect of restrictions under the securities, commodities, tax and other laws of the United States of America, as required by the Issuer or indicated and set out in the applicable Issue Terms; and

(vii) authorise the production of such certification in any applicable administrative or legal proceedings,

all as provided in the Warrant Agreement.

(b) In the case of Physical Delivery Warrants, the Exercise Notice shall specify the series number of the Warrants and the number of Warrants being exercised by the Warrantholder and be accompanied by a duly completed Asset Transfer Notice as provided in Warrant Condition 4.3(A)(1).

(c) If Warrant Condition 4.4 (*Issuer's Option to Vary Settlement*) applies, the form of Exercise Notice required to be delivered will be different from that described above. Copies of such Exercise Notice may be obtained from the Principal Warrant Agent during normal office hours.

5.2 Verification of the Warrantholder

Upon receipt of an Exercise Notice, Clearstream, Luxembourg or Euroclear, as the case may be, shall verify that the person exercising the Warrants is the holder thereof according to the books of Clearstream, Luxembourg or Euroclear, as the case may be. Subject thereto, Clearstream, Luxembourg or Euroclear, as the case may be, will confirm to the Principal Warrant Agent the series number and number Units representing the Warrants being exercised and the account details, if applicable, for the payment of the Cash Settlement Amount or, as the case may be, the details for the delivery of the Entitlement of each Unit being exercised. Upon receipt of such confirmation, the Principal Warrant Agent will inform the Issuer thereof. Clearstream, Luxembourg or Euroclear, as the case may be, will on or before the Settlement Date debit the account of the relevant Warrantholder with the Warrants being exercised. If the Warrants are American Style Warrants or Bermudan Style Warrants, upon exercise of less than all the Warrants constituted by the Global Warrant, the Common Depositary will, on the instructions of, and on behalf of, the Principal Warrant Agent, note such exercise on the Schedule to the Global Warrant and the number of Warrants so constituted shall be reduced by the cancellation *pro tanto* of the Warrants so exercised.

5.3 Settlement

(A) Cash Settled Warrants

The Issuer shall on the Settlement Date pay or cause to be paid the Cash Settlement Amount (if any) for each duly exercised Warrant:

(i) to the Warrantholder's account specified in the relevant Exercise Notice, or

(ii) where no Exercise Notice is received, Automatic Exercise is specified as applying in the applicable Issue Terms and Automatic Exercise has occurred in respect of the Warrants to the Warrantholder's account with Clearstream, Luxembourg or Euroclear, as applicable, in accordance with the rules of Clearstream, Luxembourg or Euroclear,

in each case, for value on the Settlement Date less any Exercise Expenses.

(B) Physical Delivery Warrants.

Subject to payment of the aggregate Exercise Prices and compliance with the provisions of Warrant Condition 4.3(A) with respect to Physical Delivery Warrants, with regard to each of the relevant Warrants, the Issuer shall on the Settlement Date deliver, or procure the delivery of, the Entitlement for each duly exercised Warrant pursuant to the details specified in the

relevant Asset Transfer Notice. Subject as provided in Warrant Condition 4.3(A), the Entitlement shall be delivered and evidenced in such manner as set out in the applicable Pricing Supplement.

5.4 Determinations

Any determination as to whether an Exercise Notice is duly completed and in proper form shall be made by Clearstream, Luxembourg or Euroclear, as the case may be, in consultation with the Principal Warrant Agent, and shall be conclusive and binding on the Issuer, the Warrant Agents and the relevant Warrantholder. Subject as set out below, any Exercise Notice so determined to be incomplete or not in proper form, or which is not copied to the Principal Warrant Agent immediately after being delivered or sent to Clearstream, Luxembourg or Euroclear, as the case may be, as provided in Warrant Condition 5.1 above, shall be null and void.

If such Exercise Notice is subsequently corrected to the satisfaction of Clearstream, Luxembourg or Euroclear, as the case may be, in consultation with the Principal Warrant Agent, it shall be deemed to be a new Exercise Notice submitted at the time such correction was delivered to Clearstream, Luxembourg or Euroclear, as the case may be, and the Principal Warrant Agent.

If Automatic Exercise is not specified as applying in the applicable Issue Terms, any Warrant with respect to which the Exercise Notice and, if applicable, the Asset Transfer Notice have not been duly completed and delivered in the manner set out above by the cut-off time specified in Warrant Conditions 4.1(A), 4.1(B) and **4.1(C), in respect of American Style Warrants, European Style Warrants and Bermudan Style Warrants respectively, shall become void.**

Clearstream, Luxembourg or Euroclear, as the case may be, shall use its best efforts promptly to notify the Warrantholder submitting an Exercise Notice and/or Asset Transfer Notice, as applicable, if, in consultation with the Principal Warrant Agent, it has determined that either such Exercise Notice or Asset Transfer Notice, as applicable, is incomplete or not in proper form. In the absence of negligence or wilful misconduct on its part, none of the Issuer, the Guarantor, the Warrant Agents, Clearstream, Luxembourg or Euroclear shall be liable to any person with respect to any action taken or omitted to be taken by it in connection with such determination or the notification of such determination to a Warrantholder.

5.5 Delivery of an Exercise Notice

Delivery of an Exercise Notice shall constitute an irrevocable election by the relevant Warrantholder to exercise the number of Warrants specified therein. After the delivery of such Exercise Notice, such exercising Warrantholder may not transfer such Warrants.

5.6 Automatic Exercise

If Automatic Exercise is specified as applying in the applicable Issue Terms and if no Exercise Notice or Asset Transfer Notice, as applicable, is delivered in respect of the relevant Warrants, where the Warrants are, in the determination of the Calculation Agent, "In-The-Money", such Warrants shall be automatically exercised.

5.7 Exercise Risk

Exercise of the Warrants is subject to all applicable laws, regulations and practices in force on the relevant Exercise Date and none of the Issuer, the Guarantor and the Warrant Agents shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations or practices. None of the Issuer, the Guarantor and the Warrant Agents shall under any circumstances be liable for any acts or defaults of Clearstream, Luxembourg or Euroclear in relation to the performance of its duties in relation to the Warrants.

5.8 Minimum and Maximum Number of Warrants Exercisable

(A) American Style Warrants

This paragraph (A) applies only to American Style Warrants.

(i) The number of Warrants exercisable by any Warrantholder on any Actual Exercise Date or, in the case of Automatic Exercise, the number of Warrants held by any Warrantholder and exercised by Automatic Exercise on the Expiration Date, in each case, as determined by the Issuer, must not be less than the Minimum Exercise Number specified in the applicable Issue Terms and, if specified in the applicable Issue Terms, if a number greater than the Minimum Exercise Number, must be an integral multiple of the number specified in the applicable Issue Terms. Any Exercise Notice which purports to exercise Warrants in breach of this provision shall be void and of no effect.

(ii) If the Issuer determines that the number of Warrants being exercised on any Actual Exercise Date by any Warrantholder or a group of Warrantholders (whether or not acting in concert) exceeds the Maximum Exercise Number (a number equal to the Maximum Exercise Number being the "**Quota**"), the Issuer may deem the Actual Exercise Date for the first Quota of such Warrants, selected at the discretion of the Issuer, to be such day and the Actual Exercise Date for each additional Quota of such Warrants (and any remaining number thereof) to be each of the succeeding Exercise Business Days until all such Warrants have been attributed with an Actual Exercise Date, provided, however, that the deemed Actual Exercise Date for any such Warrants which would thereby fall after the Expiration Date shall fall on the Expiration Date. In any case where more than the Quota of Warrants are exercised on the same day by Warrantholder(s), the order of settlement in respect of such Warrants shall be at the sole discretion of the Issuer.

(B) European Style Warrants

This paragraph (B) applies only to European Style Warrants.

The number of Warrants exercisable by or on behalf of any Warrantholder on the Exercise Date, as determined by the Issuer, must be equal to the Minimum Exercise Number specified in the applicable Issue Terms and, if specified in the applicable Issue Terms, if a number greater than the Minimum Exercise Number, must be an integral multiple of the number specified in the applicable Issue Terms. Any Exercise Notice which purports to exercise Warrants in breach of this provision shall be void and of no effect.

(C) Bermudan Style Warrants

This paragraph (C) applies only to Bermudan Style Warrants.

(i) The number of Warrants exercisable by any Warrantholder on any Actual Exercise Date or, in the case of Automatic Exercise, the number of Warrants held by any Warrantholder and exercised by Automatic Exercise on the Expiration Date, in each case, as determined by the Issuer, must not be less than the Minimum Exercise Number specified in the applicable Issue Terms and, if specified in the applicable Issue Terms, if a number greater than the Minimum Exercise Number, must be an integral multiple of the number specified in the applicable Issue Terms. Any Exercise Notice which purports to exercise Warrants in breach of this provision shall be void and of no effect.

(ii) If the Issuer determines that the number of Warrants being exercised on any Actual Exercise Date by any Warrantholder or a group of Warrantholders (whether or not acting in concert) exceeds the Maximum Exercise Number (a number equal to the Maximum Exercise Number being the "**Quota**"), the Issuer may deem the Actual Exercise Date for the first Quota of such Warrants, selected at the discretion of the Issuer, to be such day and the Actual Exercise Date for each additional Quota of such Warrants (and any remaining number thereof) to be each of the succeeding Exercise Date until all such Warrants have been attributed with an Actual Exercise Date, provided, however, that the deemed Actual Exercise Date for any such Warrants which would thereby fall after the Expiration Date shall fall on the Expiration Date. In any case where more than the Quota of Warrants are

exercised on the same day by Warrantholder(s), the order of settlement in respect of such Warrants shall be at the sole discretion of the Issuer.

6. EARLY CANCELLATION

6.1 Cancellation for Illegality

*This Warrant Condition 6.1 applies to Warrants which are subject to cancellation prior to the Settlement Date at the option of the Issuer upon an illegality as described below, such option being referred to as an "**Illegality Cancellation**". The applicable Issue Terms contain provisions applicable to any Illegality Cancellation and must be read in conjunction with this Warrant Condition 6.1 for full information on any Illegality Cancellation. In particular, the applicable Issue Terms will identify the applicable notice periods.*

In the event that the Calculation Agent determines that the performance of the obligations of the Issuer under the Warrants or the obligations of the Guarantor under the Guarantee, or any arrangements made to hedge the Issuer's obligations under the Warrants, has or will become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgement, order or directive of any governmental, administrative, legislative or judicial authority or power, or the interpretation thereof, the Issuer may, having given not less than the minimum period and not more than the maximum period of notice specified in the applicable Issue Terms to the Warrantholders in accordance with Warrant Condition 11 (Notices) (which notice shall be irrevocable), on the expiry of such notice cancel all, but not some only, of the Warrants, each Warrant being cancelled at the Early Cancellation Amount.

Should any one or more of the provisions contained in these Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

6.2 Regulatory Cancellation Event

*This Warrant Condition 6.2 applies to Warrants which are subject to cancellation prior to the Settlement Date at the option of the Issuer upon a regulatory event as described below, such option being referred to as a "**Regulatory Cancellation**". The applicable Issue Terms contain provisions applicable to any Regulatory Cancellation and must be read in conjunction with this Warrant Condition 6.2 for full information on any Regulatory Cancellation. In particular, the applicable Issue Terms will identify the applicable notice periods.*

In the event that the Calculation Agent determines that a change in applicable law or regulation has occurred which results, or will result, solely by reason of the Warrants being outstanding, in the Issuer being required to be regulated by any additional jurisdiction or regulatory authority, or being subject to any additional legal requirement or regulation considered by the Issuer to be materially onerous to it, the Issuer having given not less than the minimum period and not more than the maximum period of notice specified in the applicable Issue Terms to the Warrantholders in accordance with Warrant Condition 11 (Notices) (which notice shall be irrevocable) may, on the expiry of such notice cancel all, but not some only, of the Warrants, each Warrant being cancelled at the Early Cancellation Amount referred to in Warrant Condition 6.3 below. Payment shall be made in such manner as shall be notified to Warrantholders in accordance with Warrant Condition 11 (Notices).

6.3 Force Majeure or act of State

*This Warrant Condition 6.3 applies to Warrants which are subject to cancellation prior to the Settlement Date at the option of the Issuer upon a Force Majeure Event as described below, such option being referred to as a "**Force Majeure Cancellation**". The applicable Issue Terms contain provisions applicable to any Force Majeure Cancellation and must be read in conjunction with this Warrant Condition 6.3 for full information on any Force Majeure Cancellation. In particular, the applicable Issue Terms will identify the applicable notice periods.*

In the event that the Calculation Agent determines that by reason of a Force Majeure Event occurring after the Issue Date it becomes impossible or impracticable for the Issuer, the Guarantor or the Calculation Agent to perform in whole or in part its obligations under the Warrants and/or any related hedging arrangements, the Issuer may, having given not less than the minimum period and not more than the maximum period of notice specified in the applicable Issue Terms to the

Warrantholders in accordance with Warrant Condition 11 (Notices) (which notice shall be irrevocable), on the expiry of such notice cancel all, but not some only, of the Warrants, each Warrant being cancelled at the Early Cancellation Amount. Payment shall be made in such manner as shall be notified to Warrantholders in accordance with Warrant Condition 11 (Notices).

As used herein:

"**Affiliate**" means, in relation to any entity (the "**First Entity**"), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes "**control**" means ownership of a majority of the voting power of an entity or person or, if the Calculation Agent determines appropriate, the power to direct or cause the direction of the management and policies of the First Entity, whether by contract, or otherwise.

"**Associated Costs**" means, in respect of a Warrant, an amount equal to such Warrant's *pro rata* share of the total amount of any and all Costs associated or incurred by the Issuer, any Affiliate and/or Hedging Party (as applicable) in connection with such early cancellation, including, without limitation, any Costs associated with unwinding, substituting, re-establishing and/or incurring any funding relating to the Warrants and any Costs associated with unwinding, substituting, re-establishing and/or incurring any hedge positions relating to the Warrant, all as determined by the Calculation Agent in its discretion.

"**Early Cancellation Amount**" means, in respect of a Warrant, the fair market value of such Warrant plus any Exercise Price paid in respect of such Warrant, less any Associated Costs, as determined by the Calculation Agent in its discretion.

"**Force Majeure Event**" means an event or circumstance which prevents in whole or in part the performance by the Issuer, the Guarantor and/or the Calculation Agent of its obligations under the Warrants and/or related hedging arrangements including, without limitation a system failure, fire, natural or man-made disaster, act of God, act of State, armed conflict, act of terrorism, riot or labour disruption.

"**Hedging Party**" means the Issuer and/or any Affiliate and/or any other party which conducts hedging arrangements in respect of the Issuer's obligations in respect of the Warrants from time to time.

6.4 Early Cancellation at the Option of the Issuer

*This Warrant Condition 6.4 applies to Warrants which are subject to cancellation prior to the Settlement Date at the option of the Issuer (other than for taxation reasons or upon a regulatory or force majeure event), such option being referred to as an "**Issuer Early Cancellation**". The applicable Issue Terms contains provisions applicable to any Issuer Early Cancellation and must be read in conjunction with this Warrant Condition 6.4 for full information on any Issuer Early Cancellation. In particular, the applicable Issue Terms will identify the Issuer Early Cancellation Date(s), the Issuer Early Cancellation Amount(s) and the applicable notice periods.*

If Issuer Early Cancellation is specified as being applicable in the applicable Issue Terms, the Issuer may, having given not less than the minimum period and not more than the maximum period of notice specified in the applicable Issue Terms to the Warrantholders in accordance with Warrant Condition 11 (which notice shall be irrevocable and specify the date fixed for cancellation), cancel all of the Warrants then outstanding on any Issuer Early Cancellation Date and at the Issuer Early Cancellation Amount(s) specified in the applicable Issue Terms. The Issuer Early Cancellation Amount will be the specified percentage per Unit or other fixed amount specified in the applicable Issue Terms or, in the case of Exempt Warrants only, such other amount specified in the applicable Pricing Supplement.

6.5 Early cancellation for tax reasons

The Issuer may cancel (such option being referred to as a "**Tax Cancellation**") all, but not some only, of the Warrants at any time, on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Issue Terms to the Principal Warrant Agent and, in accordance with Warrant Condition 11 (Notices), the Warrantholders (which notice shall be irrevocable), if:

(a) in respect of any future payment by the Issuer which may arise in respect of the Warrants, the Issuer has or will become obliged to account for any tax, duty, withholding or other payment as provided or referred to in Warrant Condition 9 (Expenses and Taxation) or the Guarantor, if making payment itself would be or would become obliged to account for any tax, duty, withholding or other payment as provided or referred to in Warrant Condition 9 (Expenses and Taxation); and

(b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it. Reasonable measures shall not include anything which has any material impact on the business of the Issuer or the Guarantor, as the case may be, or which would cause the Issuer or the Guarantor, as the case may be, to incur any material costs, and

provided that no such notice of cancellation shall be given earlier than 30 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to account for such tax, duty, withholding or other payment were a payment in respect of the Warrants then due.

Warrants cancelled pursuant to this Warrant Condition will be cancelled at their Early Cancellation Amount referred to in Warrant Condition 6.3 above. Payment shall be made in such manner as shall be notified to Warrantholders in accordance with Warrant Condition 11 (Notices).

7. EVENTS OF DEFAULT

7.1 If (a) any of the following events shall occur and be continuing and (b) holders of at least twenty-five per cent. (25%) (by number) of the Warrants then outstanding so request the Issuer by notice in relation to the same event given in accordance with Warrant Condition 11 (Notices), then upon the date of such notice requirement in (b) above being satisfied or, in the case of an event as described in (ii) above, on expiry of the relevant time period specified therein, the relevant event shall be treated as an "**Event of Default**" and unless (in the case of (i) or (ii) above) the relevant default(s) or failure(s) shall have been cured by the Issuer or the Guarantor prior to receipt of such written notice, all but not some only of the Warrants shall be cancelled at an amount in respect of each Warrant equal to the fair market value of a Warrant, calculated without regard to the creditworthiness of the Issuer or the Guarantor at such time, less any Associated Costs all as determined by the Calculation Agent in its discretion. For the purposes of (a) above, the relevant events are:

(i) default is made for a period of 30 days or more in the payment of any cash settlement or delivery of any Entitlement due in respect of the Warrants or any of them. The Issuer and Guarantor shall not, however, be in default if such sums were not paid or such Entitlement was not delivered in order to comply with a mandatory law, regulation or order of any court of competent jurisdiction. Where there is doubt as to the validity or applicability of any such law, regulation or order, the Issuer or, as the case may be, the Guarantor will not be in default if it acts on the advice given to it during such 30 day period by an independent legal adviser; or

(ii) the Issuer or the Guarantor fails to perform or observe any of its other obligations under the Warrants, the Guarantee or the Warrant Agreement (as the case may be) and such failure continues for the period of 60 days next following the notice requirement as described in (b) above being satisfied; or

(iii) an effective resolution is passed or an order is made for the winding-up or dissolution of the Issuer or the Guarantor (except for the purposes of a reconstruction or amalgamation where the entity resulting from such reconstruction or amalgamation assumes all the rights and obligations of, as the case may be, the Issuer (including its obligations under the Warrants) or the Guarantor (including its obligations under the Guarantee)).

7.2 Any default by the Issuer or the Guarantor, other than the events described in Warrant Condition 7.1(i), may be waived by the written consent of holders of a majority (by number) of the Warrants then outstanding affected thereby, or by resolution adopted by a majority (by number) of such Warrants then outstanding present or represented at a meeting of holders of the Warrants affected thereby at which a quorum is present, as provided in the Warrant Agreement.

8. PURCHASES

The Issuer, the Guarantor or any of their respective Affiliates (as defined above) may, but is not obliged to, at any time purchase Warrants at any price in the open market or otherwise, in accordance with applicable laws and regulations. Such Warrants may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered for cancellation.

9. EXPENSES, TAXATION AND PROVISION OF INFORMATION

9.1 A holder of Warrants must pay all Exercise Expenses relating to such Warrants as provided above.

9.2 Neither the Issuer nor the Guarantor shall be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, exercise or enforcement of any Warrant and/or, if applicable, the delivery or transfer of the Entitlement relating to such Warrant, and all payments made by the Issuer or Guarantor shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

9.3 Notwithstanding any other provision in the Conditions, the Issuer or, as the case may be, the Guarantor or the relevant Paying Agent shall be permitted to withhold or deduct any amounts required: (a) 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 (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement); and (b) pursuant to Section 871(m) of the Code. Any such amounts withheld or deducted will be treated as paid for all purposes under the Warrants, and no additional amounts will be paid on the Securities with respect to any such withholding or deduction.

10. AGENTS

The names of the initial Warrant Agents and their initial specified offices are set out below. If any additional Agents are appointed in connection with any Series, the names of such Agents will be specified in Part B of the applicable Issue Terms.

10.1 Warrant Agents

Each of the Issuer and the Guarantor reserves the right to vary or terminate the appointment of any Warrant Agent and/or approve any change in the specified office through which any Warrant Agent acts and/or appoint additional or other Warrant Agents, provided that:

(A) there will at all times be a Principal Warrant Agent; and

(B) so long as the Warrants are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Warrant Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

Notice of any variation, termination, appointment or change in Warrant Agent will be given to the Warrantholders of the relevant Series of Warrants promptly by the Issuer in accordance with Warrant Condition 11 (Notices).

In acting under the Warrant Agreement, the Agents act solely as agents of the Issuer and the Guarantor, and do not assume any obligation to, or relationship of agency or trust with, any Warrantholders. The Warrant Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor Agent.

10.2 Calculation Agent

In relation to each issue of Warrants, the Calculation Agent acts solely as agent of the Issuer and the Guarantor and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Warrantholders. All calculations

and determinations made in respect of the Warrants by the Calculation Agent under the Conditions shall (save in the case of manifest error) be final, conclusive and binding on the Issuer, the Guarantor and the Warrantholders.

In exercising its discretion under the Conditions, the Calculation Agent shall act in good faith and in a commercially reasonably manner. The exercise of the Calculation Agent's discretion under the Conditions are necessary because certain circumstances or events (e.g. a material modification or disruption to the underlying asset or reference basis to which the Warrants are linked) may occur subsequent to the issuance of the Warrants or the time at which hedging arrangements are made which may materially affect the costs to the Issuer and/or a Hedging Party of maintaining the relevant Warrants or relevant hedging arrangements. Such circumstances or events may not have been reflected in the pricing of the Warrants. In addition, as a result of certain circumstances or events (e.g. price unavailability or material disruption to any reference source) it may no longer be reasonably practicable or otherwise appropriate for certain valuations in respect of the underlying asset or otherwise reference basis to be made in connection with the Warrants, and thus making it necessary for the Calculation Agent to exercise its discretion in such a case.

The Calculation Agent may, with the consent of the Issuer, delegate any of its obligations and functions to a third party as it deems appropriate.

10.3 Determinations by the Issuer or the Guarantor

The Issuer's ability to perform its obligations under the Warrants may be hedged by the Issuer entering into certain hedging arrangements with a Hedging Party. In relation to the discretion of the Issuer in respect of the method of settlement under the Conditions, the exercise of any such discretion is necessary to enable the Issuer to settle the Warrants taking into account its hedging arrangements. Certain events (e.g. failure by the Hedging Party to deliver the relevant underlying assets) beyond the control of the Issuer may occur and such events may materially increase the costs of the Issuer to perform its obligations under the Warrants and consequently require modifications or other actions under the Warrants.

In exercising its discretion under the Conditions, the Issuer or the Guarantor, as the case may be, shall act in good faith and in a commercially reasonably manner. The exercise of the Issuer's or the Guarantor's discretion under the Conditions is necessary because certain circumstances or events (e.g. material modification or disruption to the underlying asset or reference basis to which the Warrants are linked) may occur subsequent to the issuance of the Warrants or the time at which hedging arrangements are made which may materially affect the costs to the Issuer and/or a Hedging Party of maintaining the relevant Warrants or relevant hedging arrangements. Such circumstances or events may not have been reflected in the pricing of the Warrants. In addition, as a result of certain circumstances or events (e.g. price unavailability or material disruption to any reference source), it may no longer be reasonably practicable or otherwise appropriate for certain valuations in respect of the underlying asset or otherwise reference basis to be made in connection with the Warrants, and thus making it necessary for the Issuer or the Guarantor to exercise its discretion in such a case.

Any determination made by the Issuer or the Guarantor pursuant to the Conditions shall (save in the case of manifest error) be final, conclusive and binding on the Issuer, the Guarantor and the Warrantholders.

11. NOTICES

All notices regarding the Warrants will be deemed to be validly given if published in one leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the Financial Times in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Warrants are for the time being listed or by which they have been admitted to listing. 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 date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner as the Issuer deems appropriate. Any such notice will be deemed to have been given on the date of such notice.

Notice may be given (and so long as the rules of any stock exchange on which the Warrants are listed, or the rules of any other relevant authority by which the Warrants have been admitted to listing, permit) by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (instead of by way of publication or mailing) for communication by them to the holders of the Warrants provided that, in addition, for so long as any Warrants are listed on a stock exchange or

admitted to listing by any other relevant authority and the rules of that stock exchange or other relevant authority so require, such notice will be published in the manner required by the rules of that stock exchange or other relevant authority. Any such notice shall be deemed to have been given to the holders of the Warrants on the day falling such number of days specified in the applicable Issue Terms after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg, as the case may be.

Notices to be given by any Warrantholder shall be given to the Principal Warrant Agent through Clearstream, Luxembourg or Euroclear, as the case may be, in writing or by facsimile or electronically or in such other manner as the Principal Warrant Agent, Clearstream, Luxembourg, and/or Euroclear, as the case may be, may approve for this purpose.

12. SUBSTITUTION

12.1 Substitution of Issuer

The Issuer (or any previously substituted company as issuer from time to time) shall, without the consent of the Warrantholders, be entitled at any time to substitute for the Issuer any other company (the "**Substitute Issuer**") as principal obligor in respect of all obligations arising from or in connection with the Warrants provided that (i) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Warrants represent valid, legally binding and enforceable obligations of the Substitute Issuer have been taken, fulfilled and done and are in full force and effect; (ii) the Substitute Issuer shall have assumed all obligations arising from or in connection with the Warrants and shall have become a party to the Warrant Agreement, with any consequential amendments, as if it had been an original party to it; (iii) the obligations of the Substitute Issuer in respect of the Warrants shall be unconditionally and irrevocably guaranteed by the Guarantor; (iv) each stock exchange or listing authority on which the Warrants are listed shall have confirmed that following the proposed substitution of the Substitute Issuer, the Warrants would continue to be listed on such stock exchange; and (v) the Issuer shall have given at least 14 calendar days' prior notice of the date of such substitution to the Warrantholders in accordance with Warrant Condition 11 (Notices).

12.2 Substitution of Guarantor

The Guarantor (or any previously substituted company as guarantor from time to time) shall, without the consent of the Warrantholders, be entitled at any time to substitute for the then Guarantor (the "**Current Guarantor**") any other company (the "**Substitute Guarantor**") as guarantor in respect of all obligations of the Issuer in respect of the Warrants provided that (i) the creditworthiness of the Substitute Guarantor at such time is at least equal to the creditworthiness of Santander UK plc (or if different, of the Current Guarantor), as determined in good faith by the Guarantor by reference to, *inter alia*, the long term senior debt ratings (if any) assigned by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., and/or Moody's Investors Service Ltd and/or Fitch Ratings Limited, or any successor rating agent or agencies thereto, to the Substitute Guarantor, (ii) the Substitute Guarantor having entered into a guarantee (the "**Substitute Guarantee**") in respect of the Warrants in substantially the same form as the Guarantee and such other documents (if any) as may be necessary to give full effect to the substitution (the "**Documents**") and (without limiting the generality of the foregoing) pursuant to which the Substitute Guarantor shall undertake in favour of each Warrantholder to be bound by these Warrant Conditions and the provisions of the Warrant Agreement as fully as if the Substitute Guarantor had been named in these Warrant Conditions, the Documents and the Warrant Agreement as the guarantor in respect of the Warrants in place of Santander UK plc (or if different, of the Current Guarantor); (iii) the Substitute Guarantee and the Documents having been delivered to the Principal Warrant Agent; (iv) each stock exchange or listing authority on which the Warrants are listed shall have confirmed that following the proposed substitution of the Substitute Guarantor, the Warrants would continue to be listed on such stock exchange; and (v) the Guarantor shall have given at least 14 calendar days' prior notice of the date of such substitution to the Warrantholders in accordance with Warrant Condition 11 (Notices).

12.3 Substitution of Branch

The Issuer shall have the right upon notice to the Warrantholders in accordance with Warrant Condition 11 (Notices) to change the branch or office through which it is acting for the purpose of the Warrants, the date of such change to be specified in such notice provided that no change can take place prior to the giving of such notice.

13. MEETINGS OF WARRANTHOLDERS AND MODIFICATIONS

The Warrant Agreement contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Warrant Agreement) of a modification of the Warrants or any of the provisions of the Warrant Agreement or the Guarantee. Such a meeting may be convened by the Issuer or the Guarantor at any time and shall be convened by the Issuer at the request of Warrantholders holding not less than five per cent. (5%) (by number) of the Warrants for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing in the aggregate not less than fifty per cent. (50%) (by number) of the Warrants for the time being remaining unexercised, or at any adjourned such meeting one or more persons being or representing Warrantholders whatever the number of the Warrants so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Warrants, the quorum shall be one or more persons holding or representing in the aggregate not less than two-thirds, or at any adjourned such meeting one or more persons holding or representing in the aggregate not less than one-third (by number) of the Warrants for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting.

The Principal Warrant Agent and the Issuer may agree, without the consent or sanction of the Warrantholders to:

(A) any modification of (except as mentioned above) the provisions of the Warrants or the Warrant Agreement which is not prejudicial to the interests of the Warrantholders; or

(B) any modification of any of the provisions of these Conditions, the Warrants or the Warrant Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or is to comply with mandatory provisions of applicable law.

Any such modification shall be binding on the Warrantholders and any such modification shall be notified to the Warrantholders in accordance with Warrant Condition 11 (Notices) as soon as practicable thereafter.

14. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Warrantholders to create and issue further Warrants having terms and conditions the same as the Warrants or the same in all respects save for the issue price and date of issue thereof and so as to be consolidated and form a single Series with the outstanding Warrants.

15. REDENOMINATION

Redenomination may be specified as applicable in the applicable Pricing Supplement for a Series of Exempt Warrants. If redenomination is so specified as applicable, the Issuer may, without the consent of the Warrantholders, on giving prior notice to the Principal Warrant Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Warrantholders in accordance with Warrant Condition 11 (Notices):

(A) elect that, with effect from the Adjustment Date specified in the notice, certain terms of the Warrants shall be redenominated in euro;

The election will have effect as follows:

(a) where the Settlement Currency of the Warrants is the National Currency Unit of a country which is participating in the third stage of European Economic and Monetary Union, such Settlement Currency shall be deemed to be an amount of euro converted from the original Settlement Currency into euro at the Established Rate, subject to such provisions (if any) as to rounding as the Issuer may decide, after consultation with the Calculation Agent, and as may be specified in the notice, and after the Adjustment Date, all payments of the Cash Settlement Amount in respect of the Warrants will be made solely in euro as though references in the Warrants to the Settlement Currency were to euro;

(b) where the Exchange Rate and/or any other terms of these Conditions are expressed in or, in the case of the Exchange Rate, contemplate the exchange from or into, the currency (the "**Original Currency**") of a country which is participating in the third stage of European Economic and Monetary Union, such Exchange Rate and/or any other terms of the Conditions shall be deemed to be expressed in or, in the case of the Exchange Rate, converted from or, as the case may be into, euro at the Established Rate; and

(c) such other changes shall be made to the Conditions (including the Exchange Rate) as the Issuer may decide, after consultation with the Calculation Agent to conform them to conventions then applicable to instruments expressed in euro; and/or

(B) require that the Calculation Agent make such adjustments to the weighting and/or the Settlement Price and/or the Exercise Price and/or any other terms of the Conditions and/or the Pricing Supplement as the Calculation Agent, may determine to be appropriate to account for the effect of the third stage of European Economic and Monetary Union on the weighting and/or the Settlement Price and/or the Exercise Price and/or such other terms of the Conditions.

Notwithstanding the foregoing, none of the Issuer, the Guarantor, if any, the Calculation Agent and the Warrant Agents shall be liable to any Warrantholder or other person for any commissions, costs, losses or expenses in relation to or resulting from the transfer of euro or any currency conversion or rounding effected in connection therewith;

In this Warrant Condition, the following expressions have the following meanings:

"**Adjustment Date**" means a date specified by the Issuer in the notice given to the Warrantholders pursuant to this Warrant Condition which falls on or after the date on which the country of the Original Currency first participates in the third stage of European Economic and Monetary Union pursuant to the Treaty;

"**Established Rate**" means the rate for the conversion of the Original Currency (including compliance with rules relating to rounding in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140(3) of the Treaty;

"**euro**" means the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty;

"**National Currency Unit**" means the unit of the currency of a country, as those units are defined on the day before the date on which the country of the Original Currency first participates in the third stage of European Economic and Monetary Union; and

"**Treaty**" means the Treaty on the Functioning of the European Union, as amended.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Warrants by virtue of the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any reason which exists or is available apart from that Act.

17. SEVERABILITY

Should any of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not be affected in any way.

18. GOVERNING LAW AND JURISDICTION

18.1 Governing law

The Warrant Agreement, the Guarantee, the Warrants and any non-contractual obligations arising out of or in connection with the Warrant Agreement, the Guarantee, the Warrants are governed by, and construed in accordance with, English law.

18.2 Jurisdiction

The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Guarantee and/or the Warrants, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Guarantee and/or Warrants (a "**Dispute**") and each of the Issuer and the Guarantor submits and each Warrantholder (by its acquisition of a Warrant) is deemed to submit to the exclusive jurisdiction of the English courts.

For the purposes of this Warrant Condition 18.2, each of the Issuer and the Guarantor waives and each Warrantholder (by its acquisition of a Warrant) is deemed to waive any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

PAYOUT ANNEX

ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

*The terms and conditions applicable to payouts shall comprise (a) the General Terms and Conditions of the N&C Securities (the "**N&C Security Conditions**") and the additional Terms and Conditions for payouts set out below (the "**Payout Conditions**") or, as applicable (b) the General Terms and Conditions of the Warrants (the "**Warrant Conditions**") and the Payout Conditions, in each case, together with any Terms and Conditions as set out in each other Annex which is specified as applicable in the applicable Issue Terms (together with (i) in the case of N&C Securities, the N&C Security Conditions or (ii) in the case of Warrants, the Warrant Conditions, as the case may be, the "**Conditions**") and, in each case subject to completion in the applicable Issue Terms. In particular, certain sections of the Payout Conditions will be set out and completed in the applicable Issue Terms. In the event of any inconsistency between the N&C Security Conditions or the Warrants Conditions, as the case may be, and the Payout Conditions, the Payout Conditions shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions or the Warrants Conditions, as the case may be, and/or the Payout Conditions and (ii) the Issue Terms, the Issue Terms shall prevail. References in the Payout Conditions to "**Security**" and "**Securities**" shall be deemed to be references to "**N&C Security**" and "**N&C Securities**" or "**Warrant**" and "**Warrants**" as the context admits and references to "**Securityholder**" shall be deemed to be references to "**N&C Securityholder**" or "**Warrantholder**" as the context admits.*

References below to a numbered N&C Security Condition or Warrant Condition, as the case may be, are to such numbered section of the N&C Security Conditions or Warrant Conditions, as applicable, and references to a numbered section of the Payout Conditions are to such numbered section as set out in this Payout Annex. Defined terms used in this Payout Annex where the same term may be used in another Annex shall have the meanings given in this Payout Annex notwithstanding the same terms being used in another Annex.

1. VARIABLE INTEREST RATE N&C SECURITIES, VARIABLE REDEMPTION N&C SECURITIES AND VARIABLE SETTLEMENT WARRANTS

1.1 Use of Payout Conditions

These Payout Conditions set out the methodology for determining various payouts in respect of N&C Securities and Warrants. The applicable text shown below will be extracted, included and completed in the applicable Issue Terms for N&C Securities or Warrants on the following basis:

(a) for N&C Securities, applicable text (including, where appropriate, section headings and on the basis that inapplicable text need not be included) from (a) if applicable, Payout Condition 2, (derived from the relevant N&C Coupon Payout) and Product Definitions, and/or (b) if applicable, Payout Condition 3.1 (derived from the relevant N&C Redemption Payout) and Product Definitions, and/or (c) if applicable, Payout Condition 4.1(a) and 4.2 (derived from the relevant N&C Redemption Payout) and Product Definitions, will be set out as indicated in the applicable Issue Terms; and

(b) for Warrants, applicable text (including, where appropriate section headings and on the basis that inapplicable text need not be included) from Payout Conditions 3.2, 3.3, 4.1(b) and 4.2 (in each case derived from the relevant Warrant Payout) and Product Definitions, will be set out as indicated in the applicable Issue Terms.

1.2 N&C Security Conditions

N&C Securities using (a) an N&C Redemption Payout will be "**Variable Redemption N&C Securities**" and (b) an N&C Coupon Payout will be "**Variable Interest Rate N&C Securities**".

1.3 Warrant Conditions

Warrants using a Warrant Payout will be "**Variable Settlement Warrants**".

1.4 N&C Security types

The applicable Issue Terms will specify whether a N&C Security is an Equity Linked N&C Security, an Equity Index/ETF Linked N&C Security, an Inflation Index Linked N&C Security, a Property Index Linked N&C Security or a Cross-Asset Linked N&C Security and, if such N&C Security is an Equity Linked N&C Security or an Equity Index/ETF Linked N&C Security, may specify it is also a Partial Redemption N&C Security.

1.5 Warrant Types

The applicable Issue Terms will specify whether a Warrant is an Equity Linked Warrant, an Equity Index/ETF Linked Warrant, an Inflation Index Linked Warrant, a Property Index Linked Warrant or a Cross-Asset Linked Warrant.

1.6 Use of *n*, *t* and *i*

Terms used in these Payout Conditions may be attributed a numerical suffix value when included in the applicable Issue Terms. The suffix can be denoted as "*n*", "*t*" or "*i*" and the term will be completed on the basis of the number or numbers represented by *n*, *t* or *i*, as chosen at the time of an issue of Securities. For example, if *n* is 1, $\text{Barrier}_{n=1}$ will appear as "Barrier 1" when set out in the applicable Issue Terms. A term from the Product Definitions may be included in the applicable Issue Terms section more than once if there is more than one number represented by the term *n*, *t* or *i*.

1.7 Definitions and Interpretation

"**N&C Coupon Payout**" means any payout specified in Payout Condition 2, in each case as extracted, included and completed in the applicable Issue Terms.

"**N&C Redemption Payout**" means any payout specified in Payout Conditions 3.1, 4.1(a) and 4.2 below, in each case as extracted, included and completed in the applicable Issue Terms.

"**Product Definitions**" means each of the defined terms in Payout Condition 5 below.

"**Warrant Payout**" means any payout specified in Payout Condition 3.2, 3.3, 4.1(b) and 4.2 below, in each case as extracted, included and completed in the applicable Issue Terms.

References in the Payout Conditions to an N&C Security will be deemed to refer to each unit of N&C Securities or nominal amount of N&C Securities equal to the Calculation Amount unless otherwise stated.

2. INTEREST BEARING N&C SECURITIES

2.1 Operative paragraph of the Issue Terms

(a) Paragraph 15.1 (Fixed Rate N&C Security Provisions)

Subject to any prior purchase and cancellation or early redemption, the [Rate of Interest applicable to] [amount of interest payable on] each Fixed Rate N&C Security on an Interest Payment Date shall be as set out below:

(b) Paragraph 16.4 (Floating Rate N&C Security Provisions)

Subject to any prior purchase and cancellation or early redemption, the Interest Amount payable in respect of each N&C Security on the relevant Specified Interest Payment Date shall be determined by the Calculation Agent in accordance with the methodology set out below:

(c) Paragraph 18.1 (Other Variable Interest Rate N&C Security Provisions)

Subject to any prior purchase and cancellation or early redemption, the Interest Amount payable in respect of each N&C Security on the relevant Specified Interest Payment Date shall be determined by the Calculation Agent in accordance with the methodology set out below:

2.2 Interest Payment Options

2.2.1 Interest Payment Option 1

Calculation Amount * Rate of Interest

2.2.2 Interest Payment Option 2

(1) If the Barrier Condition is satisfied:

Calculation Amount * Rate of $Interest_{n=1}$; or

(2) If the Barrier Condition is not satisfied:

Calculation Amount * Rate of $Interest_{n=2}$

2.2.3 Interest Payment Option 3

(1) If the Barrier Condition is satisfied:

Calculation Amount * Rate of Interest; or

(2) If the Barrier Condition is not satisfied:

zero

3. EARLY REDEMPTION / EXERCISE AND CASH SETTLEMENT FEATURES

3.1 Item 25 (Automatic Early Redemption) – Issue Terms for N&C Securities

Subject to any prior purchase and cancellation or early redemption, each N&C Security will be early redeemed [in whole] [in part, such part representing the Final Redemption Amount and final instalment in respect of the N&C Securities] at the Automatic Early Redemption Amount which will be equal to the Autocallable Amount on the relevant Automatic Early Redemption Date in [*Specified Currency*] if the Calculation Agent determines that Barrier Condition is satisfied.

3.2 Item 12 (Exercise Date(s)) – Issue Terms for Warrants

The exercise date[s] of the Warrants [is] [are] [ ]. (*N.B. insert only single Exercise Date in relation to European Style Warrants*)

[*In respect of European Style auto-callable Warrants, insert*: The exercise date of the Warrants will be (i) [●] or (ii) if earlier, the date on which the [Barrier Condition] [Trigger Condition] is satisfied or, in each case, if such date is not an Exercise Business Day the Exercise Date shall be the immediately [preceding] [succeeding] Exercise Business Day.]

3.3 Item 15.1 (Cash Settlement Amount) - Issue Terms for Warrants

Unless previously exercised, purchased or cancelled in accordance with the Conditions, the Cash Settlement Amount per Warrant payable in [*Specified Currency*] on the Settlement Date shall be determined by the Calculation Agent in accordance with the following methodology:

(a) if Barrier Condition has been satisfied, the Cash Settlement Amount shall be equal to the applicable Autocallable Amount; or

(b) if Barrier Condition has not been satisfied, the Cash Settlement Amount shall be determined in accordance with the methodology below:

4. FINAL REDEMPTION/ CASH SETTLEMENT FEATURES

4.1 Operative paragraph of the Issue Terms

(a) Paragraph 23 (Final Redemption Amount) – Issue Terms for N&C Securities

Subject to any prior purchase and cancellation or early redemption, each N&C Security will be redeemed on the Maturity Date at an amount in [*Specified Currency*] determined by the Calculation Agent in accordance with the methodology as set out below:

(b) Paragraph 15.1 (Cash Settlement Amount) - Issue Terms for Warrants

Unless previously exercised or cancelled in accordance with the Conditions, the Cash Settlement Amount per Warrant will be an amount in [*Specified Currency*] determined by the Calculation Agent in accordance with the methodology as set out below:

4.2 Final Payment Options

4.2.1 Final Payment Option 1

Calculation Amount * [[●] per cent. + Bonus Amount - Barrier Return]

4.2.2 Final Payment Option 2

Calculation Amount * [[●] per cent. + [[●] per cent. *Max[Floor, Min(Cap, ((Participation * Asset Final Performance) [+/-] [●] per cent.))]] [+/-]

(a) [Max(Floor, Min(Cap, (Participation * Asset Final Performance)))];

(b) [Bonus]; or

(c) [Barrier Return]]

4.2.3 Final Payment Option 3

(1) If the Barrier Condition has been satisfied:

Calculation Amount * [Max(Floor, Min(Cap, (Participation * Asset Final Performance)))]

(2) If the Barrier Condition has not been satisfied:

Calculation Amount * [Max(Floor, Min(Cap, (Participation * Asset Final Performance))) – Max(Floor, (Participation * Asset Final Performance))] [+/-] [Bonus]

4.2.4 Final Payment Option 4

(1) If the Barrier Condition has been satisfied:

Calculation Amount * [Outstanding Partial Redemption Nominal Percentage *] [[●] per cent.] [[●] per cent. + [[●] per cent. * Min[$Cap_{n=1}$, Max(Floor, (Participation * Asset Final Performance), $Cap_{n=2}$)]]]

(2) If the Barrier Condition has not been satisfied:

Calculation Amount * [Outstanding Partial Redemption Nominal Percentage *] [[●] per cent.] [[●] per cent. + [[●] per cent. * Max[Floor, Min (Cap, (Participation * Asset Final Performance))]]] [(Participation * Asset Final Performance)]

4.2.5 Final Payment Option 5

(1) If Asset Final Performance is greater than or equal to $Barrier_{n=1}$:

Calculation Amount * [●] per cent.

(2) If Asset Final Performance is less than $Barrier_{n=1}$ but greater than or equal to $Barrier_{n=2}$:

Calculation Amount * [[●] per cent.] [Max(Floor, Min(Cap, (Participation * Asset Final Performance)))] [(Participation * Asset Final Performance)]

(3) If Asset Final Performance is less than $Barrier_{n=2}$:

Calculation Amount * [Min(Cap, (Participation * Asset Final Performance))] [Max(Floor, Min(Cap, (Participation * Asset Final Performance))) – Max(Floor, (Participation * Asset Final Performance))] [(Participation * Asset Final Performance)]

4.2.6 Final Payment Option 6

(1) If the Barrier Condition is satisfied:

Calculation Amount * [[●] per cent.] [[●] per cent. + [[●] per cent. * Max[Floor, Min(Cap, (Participation * Asset Final Performance))]]]

(2) If the Barrier Condition is not satisfied and:

(a) the Trigger Condition is satisfied:

Calculation Amount * [[●] per cent.] [Max[Floor, Min(Cap, (Participation * Asset Final Performance))]]

(b) the Trigger Condition is not satisfied:

Calculation Amount * [[●] per cent.] [Max[Floor, Min(Cap, (Participation * Asset Final Performance))]] [(Participation * Asset Final Performance)]

4.2.7 Final Payment Option 7

(1) If the Barrier Condition has been satisfied and:

(a) Asset Final Performance is greater than [or equal to] the Barrier:

Calculation Amount * [[●] per cent.] [[●] per cent. + (Cap * (Participation * Asset Final Performance))]

(b) Asset Final Performance is less than [or equal to] the Barrier:

Calculation Amount * [●] per cent.

(2) If the Barrier Condition has not been satisfied:

Calculation Amount * (Participation * Asset Final Performance)

4.2.8 Final Payment Option 8

(1) If Asset Final Performance is greater than the Barrier:

Calculation Amount * [●] per cent.

(2) If Asset Final Performance is equal to the Barrier:

Calculation Amount * [●] per cent.

(3) If Asset Final Performance is less than the Barrier:

Calculation Amount * (Participation * Asset Final Performance)

5. PRODUCT DEFINITIONS

The Product Definitions below, where incomplete, will be set out and completed in the applicable Issue Terms as described in Payout Condition 1 above. Where a table is referred to, the relevant table will be set out in the section of the applicable Issue Terms referred to in the relevant Product Definition as completed in the applicable Issue Terms. Complete Product Definitions may also be set out in the applicable Issue Terms.

For these purposes:

"**Asset**" means in relation to the relevant Asset Class, a Single Asset or a constituent of a Basket Asset, in each case as specified or determined as provided in the applicable Issue Terms.

"**Asset Class**" means one or more of Shares, Depositary Receipts, Equity Index(ices), Exchange Traded Funds, Inflation Index(ices), Property Index(ices) or Fixed Income Benchmark(s), as specified in the applicable Issue Terms.

"**Asset Early**" [means the] [Max] [Min] [Asset Level] [on the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date]] [Average Level] [Observation Level] [is as specified in the table in [this] paragraph [●] of these Issue Terms] [,] [Barrier].

"**Asset Early Performance**" means the [Early Performance] [Early Performance (Call Spread)] [Early Performance (Rolling Lookback)] [Early Weighted Performance] of [the] [each] [Asset] [Early Laggard] [Early Outperformer].

"**Asset Final**" means [the] [Max] [Min] [Asset Level on the Final Valuation Date] [Average Level] [,] [Observation Level].

"**Asset Final Performance**" means the [Final Performance] [Final Performance (Call Spread)] [Final Performance (Lookback)] [Final Performance (Temporis)] [Final Weighted Performance] [Enhanced Weighted Performance] [Upside Performance] [Downside Performance] [Weighted Performance] of [all] the [Asset[s]] [Final Laggard] [Final Outperformer].

"**Asset Initial**" means [the] [Max] [Min] [Asset Level on the Initial Valuation Date] [Average Level] [Observation Level] [,] [Barrier].

"**Asset Level**" means the [Opening Level] [Closing Level] [Intraday Level] [Observation Level] of the relevant Asset.

"**Asset Lookback**" [means the] [Asset Level on the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date]] [Average Level] [is as specified in the table in [this] paragraph [●] of these Issue Terms].

"**Autocallable Amount**" [has the value set out in the table in [this] paragraph [●] of these Issue Terms in relation to the [Scheduled Observation Date] [Valuation Date] [Calculation Date] specified in such table in respect of which the Autocallable Amount has become payable or is triggered][means the Partial Redemption Autocall Amount].

"**Automatic Early Redemption Date**" means [the date(s) specified as such in the Issue Terms].

"**Average Level**" means the arithmetic average of each [Opening Level] [Closing Level] [Intraday Level] [Observation Level] observed by the Calculation Agent on each Averaging Date.

"**Averaging Date**" means each date specified as such in the applicable Issue Terms.

"**Barrier**" means [[●] per cent.] [n * [●] per cent.] [Asset Initial * [●] per cent.] [Asset Initial * n * [●] per cent.] [Asset Early * [●] per cent.] [Asset Early * n * [●] per cent.] [Asset Lookback * [●] per cent.] [Asset Lookback * n * [●] per cent.].

"**Barrier (Early)**" means:

(a) where Barrier Condition Early (European) is applicable:

[[●] per cent.] [n * [●] per cent.]; or

(b) where Barrier Condition Early (Bermudan) is applicable:

[[●] per cent.] [n * [●] per cent.]; or

(c) where Barrier Condition Early (American) is applicable:

[Asset Initial * [●] per cent.] / [Asset Initial * [●] per cent. * n].

"**Barrier (Final)**" means:

(a) where Barrier Condition Final (European) is applicable, [●] per cent.; or

(b) where Barrier Condition Final (American) is applicable, Asset Initial * [●] per cent.

"**Barrier Condition**" shall mean [Barrier Condition Early] [Barrier Condition Final].

"**Barrier Condition Early**" shall mean [Barrier Condition Early (European)] [Barrier Condition Early (Bermudan)] [Barrier Condition Early (American)].

"**Barrier Condition Early (American)**" shall be deemed satisfied if the Calculation Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] [related to the relevant Barrier Early Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is at [all] [the] [any] time[s] greater than [or equal to] Barrier (Early).

"**Barrier Condition Early (Bermudan)**" shall be deemed satisfied if the Calculation Agent determines that on any [Scheduled Observation Date] [Valuation Date] [Calculation Date] [during the Observation Period], Asset Early Performance is greater than [or equal to] Barrier (Early).

"**Barrier Condition Early (European)**" shall be deemed satisfied if the Calculation Agent determines that on [the relevant] [each] [Scheduled Observation Date] [Valuation Date] [Calculation Date], Asset Early Performance is greater than [or equal to] Barrier (Early).

"**Barrier Condition Final**" shall mean [Barrier Condition Final (European)] [Barrier Condition Final (American)].

"**Barrier Condition Final (American)**" shall be deemed satisfied if the Calculation Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is [at] [all] [any] [time[s]] greater than [or equal to] Barrier (Final).

"**Barrier Condition Final (European)**" shall be deemed satisfied if the Calculation Agent determines that on the Final Valuation Date the Asset Final Performance is greater than [or equal to] Barrier (Final).

"**Barrier Early Calculation Date**" means [*date to be specified*] [each Scheduled Observation Date] [Valuation Date] [Calculation Date].

"**Barrier Return**" shall mean an amount determined by the Calculation Agent in accordance with the following methodology:-

(a) if Asset Final Performance is greater than [or equal to] the Barrier,

[●] per cent.

(b) if Asset Final Performance is less than [or equal to] the Barrier:

Max [(Cap [+/-] (Participation * Asset Final Performance)), Floor]

"**Basket Asset**" means an Asset that is a constituent of a basket of Assets, as specified or determined as provided in the applicable Issue Terms.

"**Bonus**" means an amount calculated and determined by the Calculation Agent in accordance with the following:

(a) If the Asset Final Performance is greater than [or equal to] Barrier,

[[●] per cent.] [Min[Max(Floor, (Participation * Asset Final Performance)), Cap]]

(b) If the Asset Final Performance is less than [or equal to] Barrier,

[●] per cent.

"**Bonus Amount**" shall be determined by the Calculation Agent in respect of each [Scheduled Observation Date] [Valuation Date] [Calculation Date] in accordance with the following formula:

Bonus Number * [●] per cent.

"**Bonus Condition**" shall be deemed satisfied if the Calculation Agent determines that on each [Scheduled Observation Date] [Valuation Date] [Calculation Date] the Asset Early Performance is greater than [or equal to] the Barrier.

"**Bonus Number**" shall be [the number of times that the Bonus Condition is satisfied during the Observation Period] [the number corresponding to the last [Scheduled Observation Date] [Valuation Date] [Calculation Date] during the Observation Period upon which the Barrier Condition is satisfied] [or, if the Barrier Condition is not satisfied, zero] [number to be specified].

"**Calculation Date**" means [the date(s) specified as such in these Issue Terms] [each Scheduled Trading Day in the Observation Period] [and as further described in the applicable Annex for the relevant Asset].

"**Cap**" means [●] per cent.

"**Closing Level**" means the Closing Level (as defined in the Equity Index/ETF Linked Conditions) of the relevant Asset where the relevant Asset Class is either an Equity Index or Exchange Traded Fund, or the Closing Price (as defined in the Equity Linked Conditions) of the relevant Asset, where the relevant Asset Class is a Share or a Depositary Receipt.

"**Downside Performance**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Initial - Asset Final}}{\text{Asset Initial}}$$

"**Early Laggard**" shall mean in relation to the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Asset with the lowest calculated Early Performance, as determined by the Calculation Agent in respect of the relevant date. For the avoidance of doubt, if two or more [Basket] Assets have the same Early Performance as of the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Calculation Agent shall select any such [Basket] Asset as the Early Laggard acting in good faith and in a commercially reasonable manner.

"**Early Outperformer**" shall mean in relation to the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Asset with the highest calculated Early Performance, as determined by the Calculation Agent in respect of the relevant date. For the avoidance of doubt, if two or more [Basket] Assets have the same Early Performance as of the [Scheduled Observation Date]

[Valuation Date] [Calculation Date], the Calculation Agent shall select any such [Basket] Asset as the Early Outperformer acting in good faith and in a commercially reasonable manner.

"**Early Performance**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Early}}{\text{Asset Initial}}$$

"**Early Performance (Call Spread)**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Early}}{\text{Asset Initial}} - 1$$

"**Early Performance (Rolling Lookback)**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Early}}{\text{Asset Lookback}} - 1$$

"**Early Weighted Performance**" means an amount (expressed as a percentage) determined by the Calculation Agent being the sum of the values obtained by applying the following formula to each Basket Asset:

$$W \times \frac{\text{Asset Early - Asset Initial}}{\text{Asset Initial}}$$

"**Enhanced Weighted Performance**" means an amount (expressed as a percentage) determined by the Calculation Agent being the sum of the values obtained by applying the following formula to each Basket Asset:

$$W * \text{Upside Performance}$$

"**Final Laggard**" shall mean the Asset with the lowest [calculated Downside Performance] [calculated Final Performance] [calculated Upside Performance] [Observation Level] as determined by the Calculation Agent in respect of the relevant date. For the avoidance of doubt, if two or more Assets in the Basket have the same [Downside Performance as of the Final Valuation Date] [Final Performance as of the Final Valuation Date] [Upside Performance as of the Final Valuation Date] [Observation Level], the Calculation Agent shall select any such Asset as the Final Laggard acting in good faith and in a commercially reasonable manner.

"**Final Outperformer**" shall mean the Asset with the highest [calculated Downside Performance] [calculated Final Performance] [calculated Upside Performance] [Observation Level], as determined by the Calculation Agent in respect of the relevant date. For the avoidance of doubt, if two or more Assets in the Basket have the same [Downside Performance as of the Final Valuation Date] [Final Performance as of the Final Valuation Date] [Upside Performance as of the Final Valuation Date] [Observation Level], the Calculation Agent shall select any such Asset as the Final Outperformer acting in good faith and in a commercially reasonable manner.

"**Final Performance**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Final}}{\text{Asset Initial}}$$

"**Final Performance (Call Spread)**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Final}}{\text{Asset Initial}} \text{-1}$$

"**Final Performance (Lookback)**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Final}}{\text{Max}[(\text{Participation} \times \text{Asset Initial}), \text{Observation Level}]}$$

"**Final Performance (Temporis)**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Final - Asset Lookback}}{\text{Asset Initial}}$$

"**Final Weighted Performance**" means an amount (expressed as a percentage) determined by the Calculation Agent being the sum of the values obtained by applying the following formula to each Basket Asset:

$$W \times \frac{\text{Asset Final - Asset Initial}}{\text{Asset Initial}}$$

"**Fixed Income Benchmark**" shall mean the relevant Rate of Interest specified as such in the applicable Issue Terms.

"**Floor**" means [●] per cent.

"**i**" shall mean the corresponding number related to a defined term within the Conditions as specified in the applicable Issue Terms.

"**Intraday Level**" means the Intraday Level (as defined in the Equity Index/ETF Linked Conditions) of the relevant Asset where the relevant Asset Class is either an Equity Index or Exchange Traded Fund or Intraday Price (as defined in the Equity Linked Conditions) of the relevant Asset, where the relevant Asset Class is a Share or a Depositary Receipt.

"**Knock-out Level**" [means [●] per cent.] [n * [●] per cent.] [Asset Initial * [●] per cent.] [Asset Initial * [●] per cent. * n] [shall mean the level ascribed to the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date], as specified in the table in [this] paragraph [●] of these Issue Terms].

"**Max**" followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a comma inside those brackets.

"**Min**" followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a comma inside those brackets.

"**n**" shall mean the corresponding number related to a defined term within the Conditions as specified in the applicable Issue Terms.

"**Observation Days**" means the total number of [calendar days] [Business Days] [Scheduled Observation Dates] [Valuation Dates] [Calculation Dates] in the [Interest Period] [Observation Period].

"**Observation Level**" [shall have the meaning expressed in the applicable Annex for the relevant Asset][means the Rate of Interest determined as provided in N&C Securities Condition 5.8 (as defined in the Base Prospectus)].

"**Opening Level**" means the Opening Level (as defined in the Equity Index/ETF Linked Conditions) of the relevant Asset where the relevant Asset Class is either an Equity Index or Exchange Traded Fund or Opening Price (as defined in the Equity Linked Conditions) of the relevant Asset, where the relevant Asset Class is a Share or a Depositary Receipt.

"**Outstanding Partial Redemption Nominal Percentage**" means a percentage specified as such in the applicable Issue Terms.

"**Paid Interest**" means, in respect of a N&C Security, the sum of all interest paid in respect of that N&C Security from (and including) the Issue Date to (and including) the immediately preceding Specified Interest Payment Date, if any.

"**Participation**" means [●] per cent.

"**Partial Redemption Autocall Amount**" means Outstanding Partial Redemption Nominal Percentage multiplied by Calculation Amount.

"**Range Condition**" shall be deemed satisfied in respect of any day if the Asset Level for such day observed by the Calculation Agent is greater than [or equal to] [●] [per cent.] per annum and less than [or equal to] [●] [per cent.] [per annum.]

"**Range Days**" means the actual number of [calendar days] [Business Days] [Scheduled Observation Dates] [Valuation Dates] [Calculation Dates] in the [Interest Period] [Observation Period] on which the Range Condition is satisfied.

"**Rate of Interest**" shall mean in connection with the relevant N&C Coupon Payout specified in these Issue Terms: [*Insert one of:*]

[[●] per cent.] [per annum];

Screen Rate Determination;

ISDA Determination;

Bank of England Base Rate Determination;

(n * [●] per cent.);

[(n * [●] per cent.)] – Paid Interest;

Max(Floor, Min(Cap, Participation * Asset Early [Performance] + [●] per cent.)) [+/- Barrier Return];

$\left([\bullet] \text{ per cent.} \times \frac{\text{Range Days}}{\text{Observation Days}}\right)$; or

[the applicable percentage rate specified in the table in [this] paragraph [●] of these Issue Terms].

"**Scheduled Observation Date**" means [the date(s) specified as such in these Issue Terms] [each Scheduled Trading Day in the Observation Period].

"**Single Asset**" means a single Asset, as specified or determined as provided in the applicable Issue Terms.

"**Trigger Condition**" shall mean [Trigger Condition (European)] [Trigger Condition (American)].

"**Trigger Condition (American)**" shall be deemed satisfied if the Calculation Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is [at] [all] [any] [time[s]] greater than [or equal to] the Trigger.

"**Trigger Condition (European)**" shall be deemed satisfied if the Calculation Agent determines that on the Final Valuation Date the Asset Final Performance is greater than [or equal to] the Trigger.

"**Trigger**" means:

(a) where Trigger Condition (European) is applicable:

[●] per cent.; or

(b) where Trigger Condition (American) is applicable:

Asset Initial * [●] per cent.

"**Upside Performance**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Final - (Barrier * Asset Initial)}}{\text{Asset Initial}}$$

"**Valuation Date**" means [the date(s) specified as such in these Issue Terms] [each Scheduled Trading Day in the Observation Period] [and as further described in the applicable Annex for the relevant Asset].

"**W**" means the weighting in respect of the relevant Basket Asset, as specified in the table in [this] paragraph [●] of these Issue Terms:

"**Weighted Performance**" means an amount (expressed as a percentage) determined by the Calculation Agent being the sum of the values obtained by applying the following formula to each Basket Asset:

W * Final Performance

EQUITY ANNEX

ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED SECURITIES

*The terms and conditions applicable to Equity Linked Securities shall comprise (a) the General Terms and Conditions of the N&C Securities (the "**N&C Security Conditions**") and the additional Terms and Conditions set out below (the "**Equity Linked Conditions**") or, as the case may be, (b) the General Terms and Conditions of the Warrants (the "**Warrant Conditions**") and the Equity Linked Conditions, in each case, together with any Terms and Conditions as set out in each other Annex which is specified as applicable in the applicable Issue Terms (together with (i) in the case of N&C Securities, the N&C Security Conditions and the Equity Linked Conditions or (ii) in the case of Warrants, the Warrant Conditions and the Equity Linked Conditions, as the case may be, the "**Conditions**") and, in each case subject to completion in the applicable Issue Terms. In the event of any inconsistency between the N&C Security Conditions or the Warrants Conditions, as the case may be, and the Equity Linked Conditions, the Equity Linked Conditions shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions or the Warrants Conditions, as the case may be, and/or the Equity Linked Conditions and (ii) the Issue Terms, the Issue Terms shall prevail. References in the Equity Linked Conditions to "**Security**" and "**Securities**" shall be deemed to be references to "**N&C Security**" and "**N&C Securities**" or "**Warrant**" and "**Warrants**" as the context admits and references to "**Securityholder**" shall be deemed to be references to "**N&C Securityholder**" or **Warrantholder**" as the context admits.*

References below to a numbered N&C Security Condition or Warrant Condition, as the case may be, are to such numbered section of the N&C Security Conditions or Warrant Conditions, as applicable, and references to a numbered Equity Linked Condition are to such numbered section as set out in this Equity Annex. Defined terms used in this Equity Annex or the related section of the Issue Terms where the same term may be used in another Annex (e.g. Valuation Date) shall have the meanings given in this Equity Annex or in the section of the Issue Terms relating to Equity Linked Securities notwithstanding the same terms being used in another Annex or section of the Issue Terms.

1. EQUITY LINKED N&C SECURITIES

This Equity Linked Condition 1 will only apply to N&C Securities.

(a) **Equity Linked Interest N&C Securities**

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions and subject to these Equity Linked Conditions, each Equity Linked Interest N&C Security will bear interest, if applicable, in the manner specified in the applicable Issue Terms and the Conditions.

(b) **Equity Linked Redemption N&C Securities**

Unless previously redeemed or purchased and cancelled, each N&C Security will be redeemed by the Issuer (A) by payment of the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Issue Terms and the Conditions on the Maturity Date or (B) if Physical Delivery is specified in the applicable Issue Terms by delivery of the Asset Amount on the Maturity Date (subject as provided below) or (C) if Cash Settlement and/or Physical Delivery is specified in the applicable Issue Terms, by payment of the Final Redemption Amount and/or by delivery of the Asset Amount on the terms set out in the applicable Issue Terms and the Conditions, in each case on the Maturity Date (subject as provided below). Options (B) or (C) may only be specified for Exempt N&C Securities.

2. DEPOSITARY RECEIPTS

(a) **Application of Depositary Receipt provisions**

If "Depositary Receipt provisions" are specified as applicable in the applicable Issue Terms, for the purposes of these Equity Linked Conditions in relation to each relevant Depositary Receipt:

(i) references to "**Share**" or "**Shares**" shall be deemed to include an ordinary share or ordinary shares or other relevant equity securities, as the case may be, of the Share Company or Basket Company to which the relevant Depositary Receipts specified in the applicable Issue Terms relate;

(ii) references to "**Exchange**" shall, in the context of the ordinary shares or other relevant equity securities of the Share Company or Basket Company, be deemed to be references to the Share Exchange specified in the applicable Issue Terms;

(iii) references to "**Share Company**" or "**Basket Company**" shall, in the context of a Depositary Receipt, be deemed to include references to the issuer or obligor of the Depositary Receipts;

(iv) with respect to Depositary Receipts only, the following additional event shall constitute a Potential Adjustment Event for the purposes of Equity Linked Condition 4:

"a distribution in respect of the Shares of property other than cash, shares or rights relating to any Shares to the holder(s) of the Shares;" and

(v) with respect to Depositary Receipts only, the following events shall constitute Additional Disruption Events for the purposes of Equity Linked Condition 7:

(A) a Termination; and

(B) an Adjustment Event.

(b) **Definitions specific to Depositary Receipts**

"**Adjustment Event**" means (a) the terms and conditions of the Depositary Receipts have been altered or any adjustment or modification has been made pursuant to such terms and conditions (in each case whether by the Share Company or Basket Company or any party having influence over such terms and conditions) or the Depositary Receipts are converted into other securities and/or (b) the aggregate amounts (or currency thereof) to which a holder is entitled under the Depositary Receipts are altered.

"**Depositary Receipt**" means a depositary receipt relating to ordinary shares or other relevant equity securities issued by a Share Company or Basket Company, as specified in the applicable Issue Terms, subject to adjustment pursuant to the provisions specified in Equity Linked Conditions 4, 5 and 7.

"**Termination**" means, in relation to an issue of Depositary Receipts, such issue has been terminated, cancelled or otherwise ceased to be outstanding for any reason. This shall include, without limitation, the termination of the deposit agreement in respect of the Shares and/or written instructions being given by the Share Company or Basket Company to the depository of the Shares to withdraw or surrender the Shares.

3. MARKET DISRUPTION

"**Market Disruption Event**" means, in relation to Securities relating to a single Share or a basket of Shares or a basket of assets, in respect of a Share, the occurrence or existence of (a) a Trading Disruption, (b) an Exchange Disruption, which in either case the Calculation Agent acting in good faith and in a commercially reasonable manner, determines is material, at any time during the one hour period that for purposes of determining an Opening Price, begins at or, for purposes of determining a Closing Price, Intraday Price or Observation Level ends at the relevant Valuation Time, or (c) an Early Closure.

The Calculation Agent shall give notice as soon as practicable to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Averaging Date or a Valuation Date.

4. POTENTIAL ADJUSTMENT EVENTS

"**Potential Adjustment Event**" means any of the following:

(a) a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event or, if Tender Offer is specified as applying in the applicable Issue Terms, a Tender Offer) or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;

(b) a distribution, issue or dividend to existing holders of the relevant Shares of (A) such Shares or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Basket Company or Share Company, as the case may be, equally or proportionately with such payments to holders of such Shares or (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Basket Company or Share Company, as the case may be, as a result of a spin-off or other similar transaction or (D) any other type of securities, rights or certificates or other assets, in any case for payment (in cash or in other consideration) at less than the prevailing market price as determined by the Calculation Agent;

(c) an Extraordinary Dividend (as defined in Equity Linked Condition 8) as determined by the Calculation Agent;

(d) a call by a Basket Company or Share Company, as the case may be, in respect of relevant Shares that are not fully paid;

(e) a repurchase by the Basket Company or its subsidiaries or Share Company or its subsidiaries, as the case may be, of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;

(f) in respect of a Basket Company or Share Company, as the case may be, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Basket Company or Share Company, as the case may be, pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, certificates, debt instruments or stock rights at a price below their market value as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or

(g) any other event having, in the opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the relevant Shares.

Following the declaration by the Basket Company or Share Company, as the case may be, of the terms of any Potential Adjustment Event, the Calculation Agent will, acting in good faith and in a commercially reasonable manner, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares and, if so, will (i) make the corresponding adjustment, if any, to any one or more of (a) any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery N&C Securities), (b) any Relevant Asset and/or Entitlement (in each case with respect to Physical Delivery Warrants) and/or (c) any of the other terms of the Conditions and/or the applicable Issue Terms as the Calculation Agent acting in good faith and in a commercially reasonable manner determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and (ii) determine the effective date of that adjustment. In its determinations of the existence and extent of any dilutive or concentrative effect on the theoretical value of the Shares relating to any Potential Adjustment Event, and any related adjustments to the terms of the Securities, the Calculation Agent may take into account any amounts of Local Taxes that would, in the determination of the Calculation Agent, be withheld from or paid or otherwise incurred by an Offshore Investor in connection with such Potential Adjustment Event. The Calculation Agent may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange.

Upon the making of any such adjustment by the Calculation Agent, the Calculation Agent shall give notice as soon as reasonably practicable under the circumstances to (i) the Issuer and the Principal Paying Agent or Principal Warrant Agent,

as the case may be, and (ii) the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, stating the adjustment to (a) any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery N&C Securities), (b) any Relevant Asset and/or Entitlement (in each case with respect to Physical Delivery Warrants) and/or (c) any of the other terms of the Conditions and/or the applicable Issue Terms and giving brief details of the Potential Adjustment Event, *provided that* any failure to give, or non-receipt of, such notice will not affect the validity of the Potential Adjustment Event.

5. EXTRAORDINARY EVENTS

(a) Definitions applicable to Extraordinary Events

As used herein:

"**Extraordinary Event**" means any of an Additional Extraordinary Event, a De-Listing, an Insolvency, a Merger Event, a Nationalisation, a Tender Offer (provided that a Tender Offer shall only be an Extraordinary Event if specified as applicable in the applicable Issue Terms) and, in the case of Securities relating to a basket of Shares or assets each of a De-Merger and a Participation Event (whether or not such events are Additional Extraordinary Events), and

"**Additional Extraordinary Event**" means any of a De-Merger, a Participation Event or Illiquidity but in each case only if specified as applicable in the applicable Issue Terms;

"**De-Listing**" means, in respect of any relevant Shares, the relevant Exchange announces that pursuant to the rules of such Exchange, such Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or, if Tender Offer is specified as applying in the applicable Issue Terms, a Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in a member state of the European Union);

"**De-Merger**" means, in respect of any relevant Shares, that the Basket Company or Share Company, as the case may be, is affected by a de-merger including, without limitation, a spin off, scission or any operation of a similar nature;

"**Illiquidity**" means, in respect of any relevant Shares, that, in the determination of the Calculation Agent, during any period of five (5) consecutive Scheduled Trading Days falling after the Issue Date (the "**Relevant Period**"), (a) the difference between the bid prices and the ask prices (as quoted on any Relevant Market) in respect of a Share during the Relevant Period is greater than 1% (on average), and/or (b) the average purchase price or the average selling price, determined by the Calculation Agent from the order book of the relevant Share on the relevant Exchange during the Relevant Period, in relation to the purchase or sale of Shares with a value equal to or greater than EUR 10,000.00 (or its equivalent), is greater than MID plus 1% (in relation to a purchase of Shares) or lower than the MID minus 1% (in relation to a sale of Shares). For these purposes, "**MID**" means an amount equal to (a) the sum of the bid price and the ask price (as quoted on any Relevant Market), in each case for the relevant Share at the relevant time, (b) divided by two;

"**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the Basket Company or Share Company, as the case may be, (i) all the Shares of that Basket Company or Share Company, as the case may be, are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares of that Basket Company or Share Company, as the case may be, become legally prohibited from transferring them;

"**Merger Date**" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent;

"**Merger Event**" means, in respect of any relevant Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Basket Company or Share Company, as the case may be, with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation,

proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares of the Basket Company or Share Company, as the case may be, that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Basket Company or its subsidiaries or the Share Company or its subsidiaries, as the case may be, with or into another entity in which the Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event, in each case if the Merger Date is on or before (1) in the case of Cash Settled Securities, the last occurring Valuation Date or Scheduled Observation Date or where Averaging is specified in the applicable Issue Terms, the final Averaging Date, (2) in the case of Physical Delivery N&C Securities, the relevant Maturity Date or (3) in the case of Physical Delivery Warrants, the relevant Settlement Date;

"**Nationalisation**" means that all the Shares or all or substantially all the assets of the Basket Company or Share Company, as the case may be, are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof;

"**Participation Event**" means that a Basket Company takes a stake exceeding 20.00 per cent. of another separate Basket Company comprised within the same basket of Shares or assets;

"**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Basket Company or Share Company, as the case may be, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant; and

"**Tender Offer Date**" means, in respect of a Tender Offer, the date on which the voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained, as determined by the Calculation Agent.

(b) **Consequences of an Extraordinary Event**

If any Extraordinary Event occurs in relation to a Share, the Issuer acting in good faith and in a commercially reasonable manner may take the action described in (i), (ii), or (iii) below:

(i) require the Calculation Agent to determine, acting in good faith and in a commercially reasonable manner, the appropriate adjustment, if any, to be made to any one or more of (A) any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery N&C Securities), (B) any Relevant Asset and/or Entitlement (in each case with respect to Physical Delivery Warrants) and (C) or any of the other terms of the Conditions and/or the applicable Issue Terms to account for such Extraordinary Event, as the case may be, and determine the effective date of that adjustment. The relevant adjustments may include, without limitation, adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Securities, or selecting a replacement share and making any relevant adjustments in relation thereto. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of such Extraordinary Event made by any options exchange to options on the Shares traded on that options exchange and the Calculation Agent may take into account any amounts of Local Taxes that would, in the determination of the Calculation Agent, be withheld from or paid or otherwise incurred by an Offshore Investor in connection with such Extraordinary Event; or

(ii) where the Securities relate to a basket of Shares or assets, on giving notice to Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, redeem (in the case of N&C Securities) or cancel, as the case may be, each Security in part. If a Security is so redeemed (in the case of N&C Securities) or cancelled in part the portion (the "**Partial Amount**") of each such Security representing the affected Share(s) shall be redeemed (in the case of N&C Securities) or cancelled, as the case may be, and the Issuer will (x) pay to each Securityholder in respect of each Security held by him an amount equal to the fair

market value of the Partial Amount, taking into account prevailing market prices and/or exchange prices of the affected Share and/or the relevant Extraordinary Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner; and (y) require the Calculation Agent to determine, acting in good faith and in a commercially reasonable manner, the appropriate adjustment, if any, to be made to any of the terms of the Conditions and/or the applicable Issue Terms to account for such redemption (in the case of N&C Securities) or cancellation in part. For the avoidance of doubt the remaining part of each such Security after redemption (in the case of N&C Securities) or cancellation and adjustment shall remain outstanding with full force and effect (if applicable, as so adjusted). Payments will be made in such manner as shall be notified to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable; or

(iii) on giving notice to Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, redeem (in the case of N&C Securities) or cancel (in the case of Warrants) all but not some only of the Securities, each Security being redeemed, in the case of N&C Securities, or cancelled, in the case of Warrants, at the Early Redemption Amount, in the case of N&C Securities, or Early Cancellation Amount, in the case of Warrants, which shall be determined by taking into account the relevant Extraordinary Event all as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner. Payments will be made in such manner as shall be notified to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable; or

(iv) following such adjustment to the settlement terms of options on the Shares traded on such exchange(s) or quotation system(s) as the Issuer in its sole discretion shall select (the "**Options Exchange**"), require the Calculation Agent to make a corresponding adjustment to any one or more of (A) any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery N&C Securities), (B) any Relevant Asset and/or Entitlement (in each case with respect to Physical Delivery Warrants) and/or (C) any of the other terms of the Conditions and/or the applicable Issue Terms, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Options Exchange. If options on the Shares are not traded on the Options Exchange, the Calculation Agent will make such adjustment, if any, to any one or more of (I) any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery N&C Securities), (II) any Relevant Asset and/or Entitlement (in each case with respect to Physical Delivery Warrants) and/or (III) any of the other terms of the Conditions and/or the applicable Issue Terms as the Calculation Agent acting in good faith and in a commercially reasonable manner determines appropriate, with reference to the rules and precedents (if any) set by the Options Exchange to account for such Extraordinary Event, as the case may be, that in the determination of the Calculation Agent would have given rise to an adjustment by the Options Exchange if such options were so traded; or

(v) if the applicable Issue Terms provide that "Share Substitution" is applicable, then on or after the relevant Merger Date, Tender Offer Date, or such other appropriate date (taking into account the Extraordinary Event) as the Calculation Agent may select, the Calculation Agent may adjust the terms of the Conditions and/or the applicable Issue Terms to include a share selected by it in accordance with the criteria for share selection set out below (the "**Substitute Shares**") in place of the Share(s) (the "**Affected Share(s)**") which are affected by the relevant Extraordinary Event and the Substitute Shares will be deemed to be "**Shares**" and the relevant issuer of such shares, a "**Share Company**" or a "**Basket Company**" for the purposes of the Securities, and the Calculation Agent will make such adjustment, if any, to the Relevant Asset, the Asset Amount, in the case of N&C Securities, the Entitlement, in the case of Warrants, any weighting applied to the Substitute Shares, any of the terms of the Conditions and/or the applicable Issue Terms as the Calculation Agent acting in good faith and in a commercially reasonable manner determines appropriate and shall determine the effective date (the "**Substitution Date**") for such substitution, provided that in the event that any amount payable under the Securities was to be determined by reference to an initial price or value of the Affected Share (the "**Initial Price**"), and unless the Calculation Agent determines this would be inappropriate or impracticable (in which case, the Calculation Agent may select such other methodology as it determines appropriate), the Initial Price of each Substitute Share will be determined by the Calculation Agent in accordance with the following formula;

Initial Price = A x (B / C)

Where:

"**A**" is the official closing price of the relevant Substitute Share on the relevant Exchange on the Substitution Date;

"**B**" is the Initial Price of the relevant Affected Share; and

"**C**" is the official closing price of the relevant Affected Share on the relevant Exchange on the Substitution Date.

Such substitution and the relevant adjustment to the basket of Shares or assets will be deemed to be effective as of the date selected by the Calculation Agent (the "**Substitution Date**") acting in good faith and in a commercially reasonable manner and specified in the notice referred to in the final paragraph of this Equity Linked Condition 5 which may, but need not, be the Merger Date or Tender Offer Date or the date of such Extraordinary Event, as applicable.

Unless the Calculation Agent determines this would be inappropriate (in which case, the Calculation Agent may select such other methodology as it determines appropriate), the weighting of each Substitute Share will be equal to the weighting of the relevant Affected Share.

In order to be selected as a Substitute Share, the relevant share must be a share which, as determined in good faith and in a commercially reasonable manner by the Calculation Agent:

1. is not already comprised in the basket of Shares or assets;

2. the relevant issuer in respect of which belongs to a similar economic sector as the Share Company or Basket Company in respect of the Affected Share; and

3. the relevant issuer in respect of which is of comparable market capitalisation and international standing as the Share Company or Basket Company in respect of the Affected Share ignoring for this purpose the occurrence of the relevant Merger Event, Tender Offer or Extraordinary Event.

Upon the occurrence of an Extraordinary Event, the Issuer shall give notice as soon as practicable to the Securityholders in accordance with N&C Security Condition 14 (Notices or Warrant Condition 11 (Notices), as applicable, stating the occurrence of the Extraordinary Event giving details thereof and the action proposed to be taken in relation thereto, *provided that* any failure to give, or non-receipt of, such notice will not affect the validity of the Extraordinary Event or the proposed action.

6. CORRECTION OF SHARE PRICE

With the exception of any corrections published after the day which is three (3) Exchange Business Days prior to the Maturity Date, in the case of N&C Securities, or Settlement Date, in the case of Warrants, if the price of the relevant Share published on a given day and used or to be used by the Calculation Agent to make any determination under the Securities, is subsequently corrected and the correction published by the relevant Exchange within one Settlement Cycle after the original publication, the Calculation Agent may make any adjustments to the Conditions and/or adjust any subsequent payments under the Securities, as it may determine appropriate to take into account such correction(s). The price to be used shall be the price of the relevant Share as so corrected. Corrections published after the day which is three (3) Exchange Business Days prior to a due date for payment under the Securities calculated by reference to the price of a Share, will be disregarded by the Calculation Agent for the purposes of determining the relevant amount to be paid.

7. ADDITIONAL DISRUPTION EVENTS

"**Additional Disruption Event**" means:

(A) if "Elected Events Only" is specified as applicable in the applicable Issue Terms, any of Analagous Event, Change in Law, Currency Event, Failure to Deliver, Force Majeure Event, Hedging Disruption, Increased Cost of

Hedging, Increased Cost of Stock Borrow, Insolvency Filing, Jurisdiction Event, Loss of Stock Borrow and/or, if applicable pursuant to Equity Linked Condition 2, a Termination or an Adjustment Event but in each case, only to the extent that such events are specified as applying to Equity Linked Securities in the applicable Issue Terms; or

(B) if "Elected Events Only" is specified not to apply in the applicable Issue Terms, any of Analagous Event, Change in Law, Currency Event, Failure to Deliver, Force Majeure Event, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Insolvency Filing, Jurisdiction Event, Loss of Stock Borrow and/or, if applicable pursuant to Equity Linked Condition 2, a Termination or an Adjustment Event.

Consequences of an Additional Disruption Event

(a) If an Additional Disruption Event occurs, the Issuer acting in good faith and in a commercially reasonable manner may take the action described in (i), or (ii) below:

(i) require the Calculation Agent to determine acting in good faith and in a commercially reasonable manner the appropriate adjustment, if any, to be made to any one or more of (A) any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery N&C Securities), (B) any Relevant Asset and/or Entitlement (in each case with respect to Physical Delivery Warrants) and/or (C) any of the other terms of the Conditions and/or the applicable Issue Terms to account for the Additional Disruption Event and determine the effective date of that adjustment. Without limitation, the Calculation Agent may take into account any amounts of Local Taxes that would, in the determination of the Calculation Agent, be withheld from or paid or otherwise incurred by an Offshore Investor in connection with such Additional Disruption Event; or

(ii) redeem or cancel the Securities, as the case may be, by giving notice to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable. If the Securities are so redeemed or cancelled, as the case may be, the Issuer will pay an amount to each Securityholder in respect of each Security held by him which amount shall be the Early Redemption Amount, in the case of N&C Securities, or Early Cancellation Amount, in the case of Warrants, determined taking into account the Additional Disruption Event. Payments will be made in such manner as shall be notified to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable.

(b) Upon the occurrence of an Additional Disruption Event, the Issuer shall give notice as soon as practicable to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable stating the occurrence of the Additional Disruption Event giving details thereof and the action proposed to be taken in relation thereto provided that any failure to give, or non-receipt of, such notice will not affect the validity of the Additional Disruption Event or the proposed action.

8. DEFINITIONS RELATING TO DIVIDENDS

The following definitions apply in connection with Equity Linked Securities:

"**Currency Business Day**" means any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre for the relevant currency. In respect of any relevant amount in euro, any day on which the TARGET2 System is open.

"**Dividend Amount**" means, in respect of the relevant Share, the related Dividend Period and the related Dividend Payment Date, the Record Amount, the Ex Amount or the Paid Amount, as specified in the applicable Issue Terms, or included as part of an adjustment pursuant to Equity Linked Condition 4.

"**Dividend Payment Date**" means, in respect of a Dividend Period, each date specified or otherwise determined as provided in the applicable Issue Terms or, if such date is not a Currency Business Day, the next following Currency Business Day. If no such date is specified in the applicable Issue Terms the Dividend Payment Date shall be (i) in the case

of N&C Securities, the Interest Payment Date relating to the Dividend Period and (ii) in the case of Warrants, the Valuation Date falling closest in time to the last day of the relevant Dividend Period.

"**Dividend Period**" means, the First Period or the Second Period, as specified in the applicable Issue Terms, or such other period specified in the applicable Issue Terms. If no Dividend Period is specified in the applicable Issue Terms, the Dividend Period will be the Second Period.

"**Ex Amount**" means, in relation to a Dividend Amount, 100 per cent. of the gross cash dividend per Share declared by the Share Company or Basket Company to holders of record of a Share where the date that the Shares have commenced trading ex-dividend on the Exchange occurs during the relevant Dividend Period.

"**Excess Dividend Amount**" means, in respect of a Dividend Period, the Extraordinary Dividend Record Amount, the Extraordinary Dividend Ex Amount or the Extraordinary Dividend Paid Amount, as specified in the applicable Issue Terms.

"**Extraordinary Dividend**" means an amount per Share specified in the applicable Issue Terms. If no Extraordinary Dividend is specified in the applicable Issue Terms, the characterisation of a dividend or portion thereof as an Extraordinary Dividend shall be determined by the Calculation Agent acting in good faith and in a commercially reasonable manner.

"**Extraordinary Dividend Ex Amount**" means, in relation to an Excess Dividend Amount, 100 per cent. of the Extraordinary Dividend per Share declared by the Share Company or Basket Company to holders of record of a Share where the date that the Shares have commenced trading ex-dividend on the relevant Exchange occurs during the relevant Dividend Period.

"**Extraordinary Dividend Paid Amount**" means, in relation to an Excess Dividend Amount 100 per cent. of the Extraordinary Dividend per Share paid by the Share Company or Basket Company during the relevant Dividend Period to holders of record of a Share.

"**Extraordinary Dividend Record Amount**" means, in relation to an Excess Dividend Amount 100 per cent. of the Extraordinary Dividend per Share declared by the Share Company or Basket Company to holders of record of a Share on any record date occurring during the relevant Dividend Period.

"**First Period**" means each period from, and including, (a) in the case of N&C Securities, one Interest Payment Date or (b) in the case of Warrants, one Valuation Date to, but excluding, (I) in the case of N&C Securities, the next following Interest Payment Date or (II) in the case of Warrants, the next following Valuation Date, except that (i) the initial Dividend Period will commence on, and include, the Clearance System Business Day that is one Settlement Cycle following the Trade Date and (ii) the final Dividend Period will end on, but exclude, (A) in the case of N&C Securities, the final Interest Payment Date or (B) in the case of Warrants, the final Valuation Date.

"**Paid Amount**" means, in relation to a Dividend Amount, 100 per cent. of the gross cash dividend per Share paid by the Share Company or Basket Company during the relevant Dividend Period to holders of record of a Share.

Any "**gross cash dividend**" shall represent a sum before the withholding or deduction of taxes at the source by or on behalf of any applicable authority having power to tax in respect of such a dividend, and shall exclude any imputation or other credits, refunds or deductions granted by any applicable authority having power to tax in respect of such dividend and any taxes, credits, refunds or benefits imposed, withheld, assessed or levied thereon. In addition, "gross cash dividends" shall exclude Extraordinary Dividends and Excess Dividend Amounts, if any.

"**Record Amount**" means, in relation to a Dividend Amount, 100 per cent. of the gross cash dividend per Share declared by the Share Company or Basket Company to holders of record of a Share on any record date occurring during the relevant Dividend Period.

"**Second Period**" means each period from, but excluding, one Valuation Date to, and including, the next Valuation Date, except that (i) the initial Dividend Period will commence on, but exclude, the Trade Date and (ii) the final Dividend Period

will end on, and include, (a) the final Valuation Date, (b) in respect of Physical Delivery N&C Securities, the date that is one Settlement Cycle prior to the Maturity Date or (c) in respect of Physical Delivery Warrants, the date that is one Settlement Cycle prior to the Settlement Date.

9. NON-EURO QUOTED SHARES

In respect of Securities relating to Shares originally quoted, listed and/or dealt as of the Trade Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the Treaty (as defined in N&C Security Condition 17.2 or Warrant Condition 15(B), as applicable, if such shares are at any time after the Trade Date quoted, listed and/or dealt exclusively in euro on the relevant Exchange or, where no Exchange is specified in the applicable Issue Terms, the principal market on which those Shares are traded, then the Calculation Agent may adjust any of the terms of the Conditions and/or the applicable Issue Terms as the Calculation Agent determines acting in good faith and in a commercially reasonable manner to be appropriate to preserve the economic terms of the Securities. The Calculation Agent will make any conversion necessary for purposes of any such adjustment as of the relevant Valuation Time (or such other time as the Calculation Agent determines appropriate) at an appropriate mid-market spot rate of exchange determined by the Calculation Agent prevailing as of such time. No adjustments under this provision will affect the currency denomination of any payment obligation arising out of the Securities.

10. DEFINITIONS

"**Analogous Event**" means any event analogous to any of the Additional Disruption Events: Change in Law, Currency Event, Failure to Deliver, Force Majeure Event, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow and Loss of Stock Borrow, in each case if such Additional Disruption Event applies all as determined by the Calculation Agent;

"**Averaging Date**" means each date specified as an Averaging Date in the applicable Issue Terms or, if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent any such day is a Disrupted Day. If any such day is a Disrupted Day, then:

(a) if "**Omission**" is specified as applying in the applicable Issue Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Settlement Price provided that, if through the operation of this provision no Averaging Date would occur, then the provisions of the definition of "Valuation Date" will apply for purposes of determining the relevant level, price or amount on the final Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day; or

(b) if "**Postponement**" is specified as applying in the applicable Issue Terms, then the provisions of the definition of "Valuation Date" will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or

(c) if "**Modified Postponement**" is specified as applying in the applicable Issue Terms then:

(i) where the Securities relate to a single share, the Averaging Date shall be the first succeeding Valid Date (as defined below). If the first succeeding Valid Date has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that last such consecutive Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level or price for that Averaging Date in accordance with sub-paragraph (a) of the definition of "Valuation Date" below; or

(ii) where the Securities relate to a basket of Shares or assets the Averaging Date for each Share not affected by the occurrence of a Disrupted Day shall be the originally designated Averaging Date (the

"**Scheduled Averaging Date**") and the Averaging Date for each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date (as defined below) in relation to such Share. If the first succeeding Valid Date in relation to such Share has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that last such consecutive Scheduled Trading Day is already an Averaging Date) in respect of such Share, and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with sub-paragraph (b) of the definition of "Valuation Date" below; and

(iii) for the purposes of these Equity Linked Conditions, "**Valid Date**" means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

"**Basket Company**" means a company whose shares are included in the basket of Shares or assets and "**Basket Companies**" means all such companies;

"**Bloomberg Screen**" shall mean, when used in connection with any designated page, specified in the applicable Issue Terms, the display page so designated on the Bloomberg service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, in all cases for the purpose of displaying comparable rates in succession thereto).

"**Calculation Date**" means each date specified as a Calculation Date in the applicable Issue Terms which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Linked Conditions.

"**Change in Law**" means that, on or after the Trade Date (as specified in the applicable Issue Terms):

(a) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or

(b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority),

the Calculation Agent determines acting in good faith and in a commercially reasonable manner that (i) it has become illegal for any Hedging Party to hold, acquire or dispose of any relevant hedging arrangements relating to a relevant Share and/or (ii) any Hedging Party will incur a materially increased cost in performing its obligations in relation to the Securities (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer, any of its Affiliates or any Hedging Party), or (iii) the performance of the Guarantor under the Guarantee has become unlawful.

"**Clearance System**" means, in respect of a Share, the principal domestic clearance systems customarily used for settling trades in that Share.

"**Clearance System Business Day**" means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of a settlement disruption event, would have been) open for acceptance and execution of settlement instructions.

"**Closing Price**" means, in relation to a Share:

(a) if the relevant Exchange is the Tokyo Stock Exchange or the Osaka Securities Exchange, the last traded price of such Share for the day quoted by the Exchange, provided however, that if there is a closing special quote on such Shares quoted by the Exchange (*tokubetsu kehaine*), such quote shall be deemed to be the relevant Closing Price;

(b) if the relevant Exchange is the Italian Stock Exchange, the *Prezzo di Riferimento*, which means the price as published by the Italian Stock Exchange at the close of trading and having the meaning ascribed thereto in the Rules of the Markets organised and managed by the Italian Stock Exchange, as such Rules may be amended by the Borsa Italiana S.p.a. from time to time; or

(c) in any other case, the official closing price of such Share on the relevant Exchange.

"**Currency Event**" means that, on or after the Trade Date, it has become impracticable, illegal or impossible (a) for the Issuer or any of its Affiliates or a Hedging Party to convert the relevant currency ("**Local Currency**") in which the Shares or any options or futures contracts or other hedging arrangement in relation to the Shares are denominated, into the currency required for settlement of the Securities ("**Settlement Currency**"), or exchange or repatriate any funds in the Local Currency or the Settlement Currency outside of the country in which the Shares or any options or futures contracts in relation to the Shares are traded due to the adoption of, or any change in, any applicable law, rule, regulation, judgment, order, directive or decree of any Government Authority or otherwise, or (b) for the Calculation Agent to determine a rate or (in the determination of the Calculation Agent) a commercially reasonable rate at which the Local Currency can be exchanged for the Settlement Currency for payment under the Securities, all as determined by the Calculation Agent.

"**Disrupted Day**" means any Scheduled Trading Day on which:

(a) a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session;

(b) a Market Disruption Event has occurred; or

(c) where both Exchange Business Day (Cross Asset Basis) and Scheduled Trading Day (Cross Asset Basis) are specified as applicable in the Issue Terms for Equity Linked Securities and Equity Index/ETF Linked Securities, a Disrupted Day occurs under and as defined in the Equity Index/ETF Linked Conditions.

"**Early Closure**" means the closure on any Exchange Business Day of the relevant Exchange(s) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (a) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (b) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time that would apply to the determination of a Closing Price on such Exchange Business Day.

"**Exchange**" means, in relation to a Share, each exchange or quotation system specified as such for such Share in the applicable Issue Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

"**Exchange Business Day**" means (a) in the case of a single Share, Exchange Business Day (Single Share Basis) or (b) in the case of a basket of Shares or other assets, (i) Exchange Business Day (All Shares Basis) or (ii) Exchange Business Day (Per Share Basis) or (iii) Exchange Business Day (Cross Asset Basis), in each case as specified in the applicable Issue Terms provided that if, in the case of (b), no such specification is made in the applicable Issue Terms, Exchange Business Day (All Shares Basis) shall apply.

"**Exchange Business Day (All Shares Basis)**" means, in respect of a basket of Shares or assets, any Scheduled Trading Day on which each relevant Exchange and each Related Exchange (if any) in respect of all Shares comprised in the basket of Shares or assets is open for trading during its regular trading session, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"**Exchange Business Day (Cross Asset Basis)**" means, in respect of a basket of assets, any Scheduled Trading Day on which each relevant Exchange and each Related Exchange (if any) in respect of all Shares comprised in the basket of assets is open for trading during its regular trading session (notwithstanding any such relevant Exchange or Related Exchange

closing prior to its Scheduled Closing Time) which is also an Exchange Business Day under and as defined in the Equity Index/ETF Linked Conditions.

"**Exchange Business Day (Per Share Basis)**" means, in respect of a Share, any Scheduled Trading Day on which the relevant Exchange and each Related Exchange (if any) in respect of such Share is open for trading during its regular trading session, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"**Exchange Business Day (Single Share Basis)**" means any Scheduled Trading Day on which the relevant Exchange and each Related Exchange (if any) is open for trading during its regular trading session, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"**Exchange Disruption**" means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (a) to effect transactions in, or obtain market values for, the Shares on the relevant Exchange or (b) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Share on any relevant Related Exchange.

"**Failure to Deliver**" means failure of the Hedging Party to deliver, when due, the Relevant Assets comprising the Asset Amount (in the case of N&C Securities) or the Entitlement (in the case of Warrants), where such failure to deliver is due to illiquidity in the market for such Shares.

"**Final Valuation Date**" means the date specified as a Final Valuation Date in the applicable Issue Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Linked Conditions.

"**Force Majeure Event**" means that on or after the Trade Date, the performance of the Issuer's obligations under the Securities or a Hedging Agreement or the performance of a Hedging Party's obligations under a Hedging Agreement is prevented or materially hindered or delayed due to (a) any act (other than a Market Disruption Event), law, rule, regulation, judgment, order, directive, interpretation, decree or material legislative or administrative interference of any Government Authority or otherwise, or (b) the occurrence of civil war, disruption, military action, unrest, political insurrection, terrorist activity of any kind, riot, public demonstration and/or protest, or any other financial or economic reasons or any other causes or impediments beyond the Issuer's control, or (c) any expropriation, confiscation, requisition, nationalisation or other action taken or threatened by any Government Authority that deprives the Issuer or the Hedging Party and/or any of its Affiliates of all or substantially all of its assets in a relevant or connected jurisdiction.

"**Government Authority**" means any nation, state or government, any province or other political subdivision thereof, any body, agency or ministry, any taxing, monetary, foreign exchange or other authority, court, tribunal or other instrumentality and any other entity exercising, executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"**Hedging Agreement**" means any transaction that hedges the equity price risk or any other relevant price risk including but not limited to the currency risk of the Issuer issuing and performing its obligations with respect to the Securities.

"**Hedging Disruption**" means that any Hedging Party is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge any relevant price risk, including but not limited to the currency risk, of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the Securities, or (b) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s), as determined by the Calculation Agent.

"**Hedging Party**" means, at any relevant time, the Issuer or any of its Affiliates or any other entity (or entities) providing the Issuer directly or indirectly with hedging arrangements in relation to the Securities as the Issuer may select at such time.

"**Hedging Shares**" means the number of Shares that the Issuer deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Securities.

"**Increased Cost of Hedging**" means that any Hedging Party would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, equity price risk, foreign exchange risk and interest rate risk) of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the Securities, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

"**Increased Cost of Stock Borrow**" means that the Hedging Party would incur a rate to borrow any Share that is greater than the Initial Stock Loan Rate.

"**Initial Stock Loan Rate**" means, unless otherwise specified in the applicable Issue Terms, and in respect of a Share, the rate which the Hedging Party would have incurred to borrow such Share in any Relevant Market, as of the Trade Date, as determined by the Calculation Agent.

"**Initial Valuation Date**" means the date specified as an Initial Valuation Date in the applicable Issue Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Linked Conditions.

"**Insolvency Filing**" means that a Share Company or Basket Company, as the case may be, institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Share Company or Basket Company shall not be deemed an Insolvency Filing.

"**Intraday Price**" means the price of a Share observed by the Calculation Agent at any time during the regular trading session hours of the relevant Exchange, without regard to after hours or any other trading outside of the regular trading session hours.

"**Jurisdiction Event**" means that, on or after the Trade Date, it has become impracticable, illegal or impossible for the Issuer or any of its Affiliates or a Hedging Party to purchase, sell, hold or otherwise deal (or to continue to do so in the future) in the Shares or a options or futures contracts in relation to the Shares in order for the Issuer to perform its obligations under the Securities or in respect of any relevant hedging arrangements in connection with the Securities (including, without limitation, any purchase, sale or entry into or holding of one or more securities positions, currency positions, stock loan transactions, derivatives position or other instruments or arrangements (however described) by the Issuer and/or any of its Affiliates in order to hedge, either individually or on a portfolio basis, the Securities) or the costs of so doing would, as determined in good faith and in a reasonable manner by the Calculation Agent, be materially increased under the restriction or limitation of the existing or future law, rule, regulation, judgment, order, interpretation, directive or decree of any Government Authority or otherwise, all as determined by the Calculation Agent.

"**Local Jurisdiction**" has the meaning given in the definition of Offshore Investor.

"**Local Taxes**" shall mean taxes, duties, and similar charges imposed by the taxing authority of the country in which the Basket Company or the Share Company, as the case may be, has been incorporated or in which the relevant Exchange is located.

"**Loss of Stock Borrow**" means that the Hedging Party is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any Share in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

"**Maximum Stock Loan Rate**" means, unless otherwise specified in the applicable Issue Terms, and in respect of a Share, the lowest rate which the Hedging Party, after using commercially reasonable efforts, would have incurred to borrow such Share in any Relevant Market, in an amount equal to the Hedging Shares, as of the Trade Date, as determined by the Calculation Agent.

"**Observation Level**" means any of the following prices, each as specified in the applicable Issue Terms: (a) the lowest Closing Price observed by the Calculation Agent on the Scheduled Observation Dates, (b) the highest Closing Price observed by the Calculation Agent on the Scheduled Observation Dates, or (c) the relevant price of the applicable Share observed by the Calculation Agent as specified in the applicable Issue Terms on the relevant Initial Valuation Date or Scheduled Observation Date at the time specified in the applicable Issue Terms.

"**Observation Period**" means the period specified as the Observation Period in the applicable Issue Terms.

"**Offshore Investor**" shall mean a holder of Shares who is an institutional investor not resident in the country in which the Basket Company or the Share Company, as the case may be, has been incorporated or in which the relevant Exchange is located (the "**Local Jurisdiction**"), for the purposes of the tax laws and regulations of the Local Jurisdiction and, for the avoidance of doubt, whose jurisdiction of residence (i) shall be determined by the Calculation Agent acting in good faith and in a commercially reasonable manner and (ii) may be the jurisdiction of a Hedging Party.

"**Opening Price**" means, in relation to a Share, the official opening price of such relevant Share on the relevant Exchange.

"**Related Exchange**" means, in relation to a Share, each exchange or quotation system on which option contracts or futures contracts relating to such Share are traded, or each exchange or quotation system specified as such for such Share in the applicable Issue Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Share on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where "**All Exchanges**" is specified as the Related Exchange in the applicable Issue Terms, Related Exchange shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Share.

"**Relevant Market**" means, for the purpose of determining any value or other amount pursuant to these Equity Linked Conditions, any relevant quotation system, exchange, dealing system, screen page, over-the-counter derivatives or other market which the Calculation Agent determines appropriate for such purpose and which it may select taking into account hedging arrangements of the Issuer and/or its Affiliates for the Securities.

"**Relevant Time**" means, in relation to a Share, the time specified as such in the applicable Issue Terms.

"**Reuters Screen**" shall mean, when used in connection with any designated page, specified in the applicable Issue Terms, the display page so designated on the Reuters Money Market Rate Services or such other services or service as may be nominated as the information vendor for the purpose of displaying the specific page on that service or such other page as may be replace that page on that service or such other service, in all cases for the purpose of displaying comparable rates in succession thereto.

"**Scheduled Closing Time**" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

"**Scheduled Observation Date**" means each date specified as a Scheduled Observation Date in the applicable Issue Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Linked Conditions.

"**Scheduled Opening Time**" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday opening time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to any pre-opening or any other trading outside of the regular trading session hours.

"**Scheduled Trading Day**" means (a) in the case of a single Share, Scheduled Trading Day (Single Share Basis) or (b) in the case of a basket of Shares or assets, (i) Scheduled Trading Day (All Shares Basis) or (ii) Scheduled Trading Day (Per Share Basis) or (iii) Scheduled Trading Day (Cross Asset Basis), in each case as specified in the applicable Issue Terms, provided that if, in the case of (b), no such specification is made in the applicable Issue Terms, Scheduled Trading Day (All Shares Basis) shall apply.

"**Scheduled Trading Day (All Shares Basis)**" means, in respect of a basket of Shares or assets, any day on which each Exchange and each Related Exchange (if any) in respect of all Shares comprised in the basket of Shares is scheduled to be open for trading for its regular trading session.

"**Scheduled Trading Day (Cross Asset Basis)**" means, in respect of a basket of assets, any day on which each Exchange and each Related Exchange (if any) in respect of all Shares comprised in the basket of assets is scheduled to be open for trading for its regular trading session which is also a Scheduled Trading Day for the purpose of the Equity Index/ETF Linked Conditions.

"**Scheduled Trading Day (Per Share Basis)**" means, in respect of a Share, any day on which the relevant Exchange and each Related Exchange (if any) in respect of such Share is scheduled to be open for trading for its regular trading session.

"**Scheduled Trading Day (Single Share Basis)**" means any day on which the relevant Exchange and each relevant Related Exchange (if any) is scheduled to be open for trading during its regular trading session.

"**Scheduled Valuation Date**" means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

"**Screen Page**" means the page specified in the applicable Issue Terms, or any successor page or service thereto.

"**Settlement Cycle**" means, in respect of any Share, the period of Clearance System Business Days following a trade in Shares on the Exchange in which settlement will customarily occur according to the rules of such Exchange.

"**Settlement Price**" means, subject as referred to in "Valuation Date" below or "Averaging Date" above, as the case may be, in respect of a Share, an amount equal to the Opening Price, Intraday Price, Closing Price or Observation Level (as specified in the Issue Terms in relation to Settlement Price) quoted on the relevant Exchange for such Share on the relevant Valuation Date, Averaging Date or Scheduled Observation Date, as applicable (or if, in the opinion of the Calculation Agent, any such Opening Price, Intraday Price, Closing Price or Observation Level cannot be so determined and the Valuation Date, Averaging Date or Scheduled Observation Date, as applicable, is not a Disrupted Day, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the fair market buying price at the Valuation Time on the Valuation Date, Averaging Date or Scheduled Observation Date, as applicable, and the fair market selling price at the Valuation Time on the Valuation Date, Averaging Date or Scheduled Observation Date, as applicable, for the Share based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Share or on such other factors as the Calculation Agent shall decide).

"**Shares**" and "**Share**" mean in the case of an issue of Securities relating to a basket of Shares or assets, each share and, in the case of an issue of Securities relating to a single Share, the share, specified in the applicable Issue Terms and related expressions shall be construed accordingly.

"**Share Company**" means, in the case of an issue of Securities relating to a single Share, the company that has issued such share.

"**Specified Maximum Days of Disruption**" means the lesser of (a) either (i) eight (8) Scheduled Trading Days or (ii) such other number of Scheduled Trading Days specified as such in the applicable Issue Terms and (b) such number of

Scheduled Trading Days in the period from (but excluding) the Scheduled Valuation Date or Scheduled Averaging Date, as applicable to (but excluding) the third (3rd) Business Day prior to any due date or scheduled date for any payment under the Securities for which valuation on the relevant Averaging Date or Valuation Date is relevant, all as determined by the Calculation Agent.

"**Stop-Loss Event**" means the price of any Share as quoted on the relevant Exchange for such Share at the relevant time specified in the applicable Issue Terms (or, if none, the Scheduled Closing Time), on any Scheduled Trading Day that is not a Disrupted Day in respect of such Share on or after the Trade Date or, if later the Strike Date, specified in the applicable Issue Terms is less than 5.00 per cent. (the "**Strike Level**"), or (if different) the percentage specified as such in the applicable Issue Terms, of its Strike Price or, if no Strike Price is stipulated in the applicable Issue Terms, the price given as the Benchmark Price for such Share in the applicable Issue Terms, all as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner.

"**Trade Date**" shall have the meaning specified as such in relation to Equity Linked Securities in the applicable Issue Terms.

"**Trading Disruption**" means, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (a) relating to the share or (b) in futures or options contracts relating to such share on any relevant Related Exchange.

"**Treaty**" means the Treaty on the Functioning of the European Union, as amended.

"**Valuation Date**" means the date specified as such in the applicable Issue Terms and otherwise in accordance with the above provisions or, if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day, then:

(a) in the case of Securities relating to a single Share, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Settlement Price (including without limitation the conversion of such amount from or into any applicable currency) in accordance with its good faith estimate of the Settlement Price as of the Valuation Time on that the last such consecutive Scheduled Trading Day; or

(b) in the case of Securities relating to a basket of Shares or assets the Valuation Date for each Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Share affected (each an "**Affected Item**") by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Item unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Item. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Item, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Settlement Price using, in relation to the Affected Item, the level or value as applicable, determined using its good faith estimate of the value for the Affected Item as of the Valuation Time on the last consecutive Scheduled Trading Day.

"**Valuation Time**" means the Relevant Time specified in the applicable Issue Terms or, if no Relevant Time is specified, (i) for purposes of determining an Opening Price, the Scheduled Opening Time or, for purposes of determining a Closing Price, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date, Averaging Date or Scheduled Observation Date, as the case may be, in relation to each Share to be valued provided that if the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time and (ii) in all other circumstances, the time at which the relevant Settlement Price is determined.

11. PHYSICAL DELIVERY N&C SECURITIES

This Equity Linked Condition 11 will only apply to Exempt N&C Securities.

(A) Physical Delivery

(1) Asset Transfer Notices

In relation to Physical Delivery N&C Securities, in order to obtain delivery of the Asset Amount(s) in respect of any N&C Security:

(X) if such N&C Security is represented by a Global N&C Security, the relevant N&C Securityholder must deliver to Euroclear or Clearstream, Luxembourg (as applicable), with a copy to the Principal Paying Agent and Calculation Agent not later than the close of business in each place of reception on the Equity Cut-Off Date, a duly completed Asset Transfer Notice in the form set out in the Agency Agreement; and

(Y) if such N&C Security is in definitive form, the relevant N&C Securityholder must deliver (i) if this N&C Security is a Bearer N&C Security, to any Paying Agent or (ii) if this N&C Security is a Definitive Registered N&C Security, to the Registrar or any Paying Agent, in each case, with a copy to the Principal Paying Agent and Calculation Agent not later than the close of business in each place of reception on the Equity Cut-Off Date, a duly completed Asset Transfer Notice in the form set out in the Agency Agreement.

Copies of the Asset Transfer Notice may be obtained during normal business hours from the specified office of the Registrar or any Paying Agent.

An Asset Transfer Notice may only be delivered (i) if such N&C Security is represented by a Global N&C Security, in such manner as is acceptable to Euroclear or Clearstream, Luxembourg, as the case may be, or (ii) if such N&C Security is in definitive form, in writing.

If this N&C Security is in definitive form, this N&C Security must be delivered together with the duly completed Asset Transfer Notice.

The Asset Transfer Notice shall:

(i) specify the name, address and contact telephone number of the relevant N&C Securityholder and the person from whom the Issuer may obtain details for the delivery of the Asset Amount;

(ii) specify the series number of the N&C Securities and the number of N&C Securities which are the subject of such notice;

(iii) in the case of N&C Securities represented by a Global N&C Security, specify the nominal amount or, in case of N&C Securities issued in units, number of N&C Securities which are the subject of such notice and the number of the N&C Securityholder's account at Euroclear or Clearstream, Luxembourg as the case may be to be debited with such N&C Securities and irrevocably instruct and authorise the relevant Clearance System to debit the relevant N&C Securityholder's account with such N&C Securities on or before the Delivery Date;

(iv) include an undertaking to pay all Delivery Expenses (as defined below) and, in the case of N&C Securities represented by a Global N&C Security, an authority to Euroclear or Clearstream, Luxembourg, as the case may, be to debit a specified account of the N&C Securityholder with Euroclear or Clearstream, Luxembourg, as the case may be, in respect thereof and to pay such Delivery Expenses;

(v) include such details as are required for delivery of the Asset Amount which may include account details and/or the name and address of any person(s) into whose name evidence of the Asset Amount is to be registered and/or any bank, broker or agent to whom documents evidencing the Asset Amount are to be delivered and specify the name and number of the N&C Securityholder's account to be credited with any cash payable by the Issuer, either in respect of any cash amount constituting the Asset Amount or any dividends relating to the Asset Amount or as a result of the occurrence of a Settlement Disruption Event and the Issuer electing to pay the Disruption Cash Redemption Amount;

(vi) certify that the beneficial owner of each N&C Security is not a U.S. person (as defined in the Asset Transfer Notice), the N&C Security is not being redeemed within the United States or on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with any redemption thereof;

(vii) authorise the production of such certification in any applicable administrative or legal proceedings,

all as provided in the Agency Agreement.

(2) Verification of the N&C Securityholder

In the case of N&C Securities represented by a Global N&C Security, upon receipt of an Asset Transfer Notice, Euroclear or Clearstream, Luxembourg as the case may be shall verify that the person delivering the Asset Transfer Notice is the holder of the N&C Securities described therein according to its records. Subject thereto, Euroclear or Clearstream, Luxembourg as the case may be will confirm to the Principal Paying Agent the series number and number of N&C Securities which are the subject of such notice, the relevant account details and the details for the delivery of the Asset Amount of each N&C Security. Upon receipt of such confirmation, the Principal Paying Agent will inform the Issuer thereof. Euroclear or Clearstream, Luxembourg, as the case may be, will on or before the Delivery Date debit the securities account of the relevant N&C Securityholder with the relevant N&C Securities.

(3) Determinations and Delivery Expenses

Any determination as to whether an Asset Transfer Notice is duly completed and in proper form shall be made, in the case of N&C Securities represented by a Global N&C Security, by Euroclear or Clearstream, Luxembourg, as the case may be or, in the case of N&C Securities in definitive form, by the relevant Paying Agent or the Registrar, as the case may be, in each case in consultation with the Principal Paying Agent, and shall be conclusive and binding on the Issuer, the Principal Paying Agent(s) and the relevant N&C Securityholder. Subject as set out below, any Asset Transfer Notice so determined to be incomplete or not in proper form, or which is not copied to the Principal Paying Agent immediately after being delivered or sent as provided in paragraph (1) above, shall be null and void.

If such Asset Transfer Notice is subsequently corrected to the satisfaction of, in the case of N&C Securities represented by a Global N&C Security, Euroclear or Clearstream, Luxembourg, as the case may be, or, in the case of N&C Securities in definitive form, by the relevant Paying Agent or the Registrar, as the case may be, in each case in consultation with the Principal Paying Agent, it shall be deemed to be a new Asset Transfer Notice submitted at the time such correction was delivered as provided above.

No Asset Transfer Notice may be withdrawn after receipt thereof by the relevant Clearance System, the Registrar or a Paying Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice, the relevant N&C Securityholder may not transfer the N&C Securities which are the subject of such notice.

All costs, taxes, duties and/or expenses including any applicable depositary charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other costs, duties or taxes which the Calculation Agent determines may be or would be, or would have been incurred (i) in connection with the redemption of the N&C Securities and/or the delivery of the Asset Amount in respect of such N&C Securities and (ii) by the Issuer or any Affiliate had such entity unwound or varied any underlying related hedging arrangements in respect of the N&C Security ("**Delivery Expenses**") shall be for the account of the relevant N&C Securityholder and no Asset Amount will be deliverable until the relevant Delivery Expenses have been met or otherwise accounted for to the satisfaction of the Issuer.

(4) Delivery

(a) Subject to:

(i) an Asset Transfer Notice having been duly delivered as provided above on or prior to the Equity Cut-Off Date; and

(ii) all Delivery Expenses having been paid or otherwise accounted for to the satisfaction of the Issuer by the relevant N&C Securityholder,

the Issuer shall, at the risk of the relevant N&C Securityholder, deliver or procure the delivery of the Asset Amount for each N&C Security, pursuant to the details specified in the Asset Transfer Notice or in such commercially reasonable manner as the Calculation Agent shall in its sole discretion determine and notify to the person designated by the N&C Securityholder in the relevant Asset Transfer Notice, on the date fixed for redemption (such date, subject to adjustment in accordance with this Equity Linked Condition, the "**Delivery Date**"). Where the Asset Transfer Notice stipulates that the Asset Amount should be delivered to a specified clearing system, the Issuer's or the Guarantor's obligation to deliver such Asset Amount will be discharged by delivery to, or to the order of, the relevant clearing system and each of the persons shown in the records of the relevant clearing system as the account holder must look solely to the relevant clearing system for his share of any Asset Amount so delivered.

(b) If a N&C Securityholder fails to give an Asset Transfer Notice as provided herein with a copy to the Principal Paying Agent, on or prior to the Equity Cut-Off Date, then:

(i) the Issuer may elect, in its sole discretion to deliver or procure the delivery of the aggregate Asset Amounts for all such affected N&C Securities, at the risk of the relevant N&C Securityholder, to, or to the order of, the relevant Clearance System(s) in which the N&C Securities are held (and this may be after the date fixed for redemption) and its obligation to deliver any such Asset Amount so delivered shall be discharged thereby. Each of the persons shown in the records of the relevant Clearance System as the holder of a particular amount of the N&C Securities must look solely to the relevant Clearance System for his share of each such Asset Amount so delivered to, or to the order of, such Clearance System. For the purposes of paragraph (5) below, each Clearance System will be deemed to be a single N&C Securityholder and each Clearance System will be requested to divide and deliver such Asset Amounts in accordance with its rules; or

(ii) the Asset Amount will be delivered as soon as practicable after the date fixed for redemption (in which case, such date of delivery shall be the Delivery Date) at the risk of such N&C Securityholder in the manner provided in paragraph (a) above. For the avoidance of doubt, in such circumstances such N&C Securityholder shall not be entitled to any payment, whether of interest or otherwise, as a result of such Delivery Date falling after the date fixed for redemption and no liability in respect thereof shall attach to the Issuer.

(c) To the extent that the Issuer is not satisfied that the Delivery Expenses have been or will be paid in full by the relevant N&C Securityholder on or prior to the relevant Delivery Date, the Issuer may, in its

sole discretion, elect to reduce the Asset Amount(s) to be delivered by an amount(s) which by market value (determined at the time of reduction by reference to such valuation sources as the Issuer determines appropriate) in aggregate is at least equal to the aggregate Delivery Expenses that it determines, in its sole discretion, have not been paid or otherwise accounted for (the Asset Amount as so reduced, the "**Reduced Asset Amount**"). Where the Issuer elects to make such a reduction, in accordance with this Equity Linked Condition 11(A)(4)(c), the Issuer's obligation to deliver the Asset Amount(s) shall be discharged in full by delivery of the Reduced Asset Amount in accordance with the provisions of this Equity Linked Condition 11(A)(4). The provisions of paragraphs (5) and (6) of this Equity Linked Condition 11(A) and the provisions of Equity Linked Condition 11(B) shall apply *mutatis mutandis* to any such delivery of the Reduced Asset Amount.

(5) General

For the purpose of determining the Asset Amounts in respect of the N&C Securities, N&C Securities held by the same N&C Securityholder will be aggregated. The aggregate Asset Amount(s) to be delivered in respect of each such aggregated holding will be rounded down to the nearest whole unit of the Relevant Asset (or, where there is more than one type of Relevant Asset, each of the Relevant Assets), as the case may be, in such manner as the Calculation Agent shall determine. Therefore, fractions of the Relevant Asset or of each of the Relevant Assets, as the case may be, will not be delivered but in lieu thereof the Issuer shall pay to the N&C Securityholders in respect of their respective holding an additional amount in the Specified Currency equal to the fair market value of such fraction(s) in such manner as shall be determined by the Calculation Agent acting in good faith and in a commercially reasonable manner and notified to N&C Securityholders in accordance with N&C Security Condition 14 (Notices).

Following the Delivery Date of a Share all dividends on the relevant Shares to be delivered will be payable to the party that would receive such dividend according to market practice for a sale of the Shares executed on the Delivery Date and to be delivered in the same manner as such relevant Shares. Any such dividends to be paid to a N&C Securityholder will be paid to the account specified by the N&C Securityholder in the relevant Asset Transfer Notice as referred to in Equity Linked Condition 11(A)(1) or otherwise paid to the relevant Clearance System for the account of N&C Securityholders.

For such period of time after delivery of the Asset Amount as the Issuer or any person acting on behalf of the Issuer shall continue to be the legal owner of the securities comprising the Asset Amount (the "**Intervening Period**"), none of the Issuer, the Paying Agents, the Registrar or any other person shall at any time (i) be under any obligation to deliver or procure delivery to any N&C Securityholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of such securities or obligations, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to such securities or obligations or (iii) be under any liability to a N&C Securityholder in respect of any loss or damage which such N&C Securityholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of such securities or obligations comprised in such Asset Amount or otherwise as specified in the applicable Pricing Supplement.

(6) Settlement Disruption

If, in the opinion of the Calculation Agent, delivery of the Asset Amount using the method of delivery specified in the applicable Pricing Supplement or such commercially reasonable manner as the Calculation Agent has determined is not practicable by reason of a Settlement Disruption Event (as defined below) having occurred and continuing on the Delivery Date, then the Delivery Date shall be postponed to the first following Settlement Business Day in respect of which there is no such Settlement Disruption Event unless there is a Settlement Disruption Event on each of the ten (10) Settlement Business Days immediately following the original date that, but for such Settlement Disruption Event, would have been a valid Delivery Date. In that case, (a) if the Asset Amount can be

delivered in any other commercially reasonable manner, as determined by the Calculation Agent, the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant N&C Security by delivering the Asset Amount using such other commercially reasonable manner as it may select and in such event the Delivery Date shall be the first day on which settlement of a sale of Relevant Assets comprising the Asset Amount executed on that tenth (10) Clearance System Business Day would customarily take place using such other commercially reasonable manner, and (b) if the Relevant Assets comprising the Asset Amount cannot be delivered in any other commercially reasonable manner, then the Delivery Date will be postponed until delivery can be effected in the manner contemplated in the Asset Transfer Notice or in any other commercially reasonable manner, as determined by the Calculation Agent. For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Relevant Assets comprising the Asset Amount, the Delivery Date for the Relevant Assets not affected by the Settlement Disruption Event will be the originally designated Delivery Date. For so long as delivery of the Asset Amount is not practicable by reason of a Settlement Disruption Event, then in lieu of physical settlement and notwithstanding any other provision hereof the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant N&C Security by payment to the relevant N&C Securityholder of the Disruption Cash Redemption Amount (as defined below) on the fifth (5th) Business Day following the date that notice of such election is given to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices). Payment of the Disruption Cash Redemption Amount will be made in such manner as shall be notified to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices). The Calculation Agent shall give notice as soon as practicable to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) that a Settlement Disruption Event has occurred. No N&C Securityholder shall be entitled to any payment in respect of the relevant N&C Security in the event of any delay in the delivery of the Asset Amount due to the occurrence of a Settlement Disruption Event and no liability in respect thereof shall attach to the Issuer.

(B) Definitions specific to Physical Delivery

"**Agency Agreement**" has the meaning given in the N&C Security Conditions.

"**Asset Amount**" has the meaning specified in the applicable Pricing Supplement.

"**Asset Transfer Notice**" shall mean the notice in the form set out in the Agency Agreement.

"**Equity Cut-Off Date**" has the meaning specified in the applicable Pricing Supplement.

"**Disruption Cash Redemption Amount**", in respect of any relevant N&C Security, shall be the Market Value of such N&C Security expressed in the Specified Currency (taking into account any relevant currency exchange rate and, where the Settlement Disruption Event affected some but not all of the Shares comprising the Asset Amount and such non affected Shares have been duly delivered as provided above, the value of such Shares), all as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner.

"**Settlement Business Day**" has the meaning specified in the applicable Pricing Supplement.

"**Settlement Disruption Event**" means, in the opinion of the Calculation Agent, an event beyond the control of the Issuer as a result of which the Issuer cannot make delivery of the Asset Amount(s) using the method specified in the applicable Pricing Supplement.

12. VARIATION OF SETTLEMENT

This Equity Linked Condition 12 will only apply to Exempt N&C Securities.

If the applicable Pricing Supplement indicates that the Issuer has the option to vary settlement in respect of the N&C Securities, the Issuer may acting in good faith and in a commercially reasonable manner in respect of each such N&C Security give notice pursuant to N&C Security Condition 14 (Notices) no later than the second (2) Business Day prior to

the Maturity Date that the N&C Securities shall be (x) Cash Settled N&C Securities instead of Physical Delivery N&C Securities or (y) Physical Delivery N&C Securities instead of Cash Settled N&C Securities and in this case the provisions of Equity Linked Condition 1(b)(A) or (B) (*Equity Linked Redemption N&C Securities*) respectively shall apply.

EQUITY INDEX/ETF ANNEX

ADDITIONAL TERMS AND CONDITIONS FOR EQUITY INDEX LINKED SECURITIES AND ETF LINKED SECURITIES

*The terms and conditions applicable to Equity Index Linked Securities and/or ETF Linked Securities shall comprise (a) the General Terms and Conditions of the N&C Securities (the "**N&C Security Conditions**") and the additional Terms and Conditions set out below (the "**Equity Index/ETF Linked Conditions**") or (b) the General Terms and Conditions of the Warrants (the "**Warrant Conditions**") and the Equity Index/ETF Linked Conditions, in each case, together with the Terms and Conditions as set out in each other Annex which is specified as applicable in the applicable Issue Terms (together with, (i) in the case of N&C Securities the N&C Security Conditions and the Equity Index/ETF Linked Conditions, or (ii) in the case of Warrants, the Warrant Conditions and the Equity Index/ETF Linked Conditions, as the case may be, the "**Conditions**") and, in each case subject to completion in the applicable Issue Terms. In the event of any inconsistency between the N&C Security Conditions or Warrant Conditions, as the case may be, and the Equity Index/ETF Linked Conditions, the Equity Index/ETF Linked Conditions shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions or Warrant Conditions, as the case may be, and/or the Equity Index/ETF Linked Conditions and (ii) the Issue Terms, the Issue Terms shall prevail. References in the Equity Index/ETF Linked Conditions to "**Security**" and "**Securities**" shall be deemed to be references to "**N&C Security**" and "**N&C Securities**" or "**Warrant**" and "**Warrants**" as the context admits and references to "**Securityholder**" shall be deemed to be references to "**N&C Securityholder**" or "**Warrantholder**" as the context admits. Any reference to "**Index**" within this Annex shall be deemed to be a reference to an Equity Index or a Related Index, as applicable (as hereinafter defined).*

References below to a numbered N&C Security Condition or Warrant Condition, as the case may be, are to such numbered section of the N&C Security Conditions or Warrant Conditions, as applicable, and references to a numbered Equity Index/ETF Linked Condition are to such numbered section as set out in this Equity Index/ETF Annex. Defined terms used in this Equity Index/ETF Annex or the related section of the Issue Terms where the same term may be used in another Annex (e.g. Valuation Date) shall have the meanings given in this Equity Index/ETF Annex or in the section of the Issue Terms relating to Equity Index/ETF Linked Securities notwithstanding the same terms being used in another Annex or section of the Issue Terms.

1. EQUITY INDEX/ETF LINKED SECURITIES

This Equity Index/ETF Linked Condition 1 will apply to N&C Securities only.

(a) **Equity Index/ETF Linked Interest N&C Securities**

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions and subject to these Equity Index/ETF Linked Conditions, each Equity Index/ETF Linked Interest N&C Security will bear interest, if applicable, in the manner specified in the applicable Issue Terms and the Conditions.

(b) **Equity Index/ETF Linked Redemption N&C Securities**

Unless previously redeemed or purchased and cancelled, each N&C Security will be redeemed by the Issuer (A) by payment of the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Issue Terms and the Conditions on the Maturity Date or (B) if Physical Delivery is specified in the applicable Issue Terms by delivery of the Asset Amount on the Maturity Date (subject as provided below) or (C) if Cash Settlement and/or Physical Delivery is specified in the applicable Pricing Supplement, by payment of the Final Redemption Amount and/or by delivery of the Asset Amount on the terms set out in the applicable Pricing Supplement and the Conditions, in each case on the Maturity Date (subject as provided below). Options (B) or (C) may only be specified for Exempt N&C Securities.

2. EXCHANGE TRADED FUNDS

These Equity Index/ETF Conditions will apply to any Exchange Traded Fund or ETF to which the Securities relate as specified in the applicable Issue Terms. For each such Exchange Traded Fund a Related Index will be specified in the

applicable Issue Terms. In this case all references to an Index in these Equity Index/ETF Conditions will be deemed to refer to each such Related Index.

3. MARKET DISRUPTION

"**Market Disruption Event**" means, in relation to Securities relating to a single Index or Exchange Traded Fund or basket containing any Index or Exchange Traded Fund:

(a) in respect of a Composite Index:

(i) (x) the occurrence or existence, in respect of any Component Security, of:

(A) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that, for purposes of determining an Opening Level, begins at or, for purposes of determining a Closing Level, Intraday Level or Observation Level, ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;

(B) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that, for purposes of determining an Opening Level, begins at or, for purposes of determining a Closing Level, Intraday Level or Observation Level, ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or

(C) an Early Closure in respect of such Component Security; and

(y) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20.00 per cent. or more of the level of such Index; or

(ii) the occurrence or existence, in each case, in respect of futures or options contracts relating to such Index, of: (a) a Trading Disruption; (b) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that, for purposes of determining an Opening Level, begins at or, for purposes of determining a Closing Level, Intraday Level or Observation Level, ends at the Valuation Time in respect of the Related Exchange; or (c) an Early Closure.

For the purposes of determining whether a Market Disruption Event exists in respect of a Component Security at any time, if a Market Disruption Event occurs in respect of such Component Security at that time, then the relevant percentage contribution of that Component Security to the level of such Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that Component Security to (y) the overall level of such Index, in each case using the official opening weightings as published by the Index Sponsor as part of the market "opening data"; and

(b) in the case of Non-Composite Indices or an ETF Share, the occurrence or existence of (1) at any time during the one hour period that, for purposes of determining an Opening Level, begins at or, for purposes of determining a Closing Level, Intraday Level or Observation Level ends at the relevant Valuation Time (i) a Trading Disruption or (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, or (2) an Early Closure.

For the purposes of determining whether a Market Disruption Event exists at any time, if a Market Disruption Event occurs in respect of a Component Security included in such Index at any time, then the relevant percentage contribution of that Component Security to the level of such Index shall be based on a comparison of (x) the portion of the level of such Index

attributable to that Component Security and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event. For the purposes of determining whether a Market Disruption Event in respect of such Index exists at any time, if a Market Disruption Event occurs in respect of a Component Security included in such Index at any time, then the relevant percentage contribution of that Component Security to the level of such Index shall be based on a comparison of (i) the portion of the level of such Index attributable to that Component Security and (ii) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event. The Calculation Agent shall give notice as soon as practicable to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day would have been an Averaging Date or a Valuation Date.

4. ADJUSTMENTS TO AN INDEX

(a) **Successor Index Sponsor Calculates and Reports an Index**

If a relevant Index is:

(i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent; or

(ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index,

then in each case that Index (the "**Successor Index**") will be deemed to be the Index.

(b) **Modification and Cessation of Calculation of an Index**

If, in the determination of the Calculation Agent,

(i) on or prior to the last Valuation Date or the last Averaging Date or Scheduled Observation Date, the relevant Index Sponsor makes or announces that it will make a material change in the formula for or the method of calculating a relevant Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation, contracts or commodities and other routine events) (an "**Index Modification**"); or

(ii) the relevant Index Sponsor permanently cancels a relevant Index and no Successor Index exists (an "**Index Cancellation**"); or

(iii) on any Valuation Date or any Averaging Date or Scheduled Observation Date, the Index Sponsor or (if applicable) the successor sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**" and, together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**");

then the Issuer may take the action in (A), (B) or (C) below:

(A) require the Calculation Agent to determine if such Index Adjustment Event has a material effect on the Securities and, if so, shall calculate the relevant Index/ETF Level using, in lieu of a published level for that Index or the related ETF, the level for that Index or ETF as at the Valuation Time on that Valuation Date or Averaging Date or Scheduled Observation Date, as the case may be, as determined by the Calculation Agent which in the case of an Index will be determined in accordance with the formula for and method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those Component Securities that comprised that Index immediately prior to that Index Adjustment Event and in the case of an ETF will be determined as the fair market value of the relevant ETF;

(B) require the Calculation Agent to replace the affected Index/ETF by a new Index/ETF provided that such new index or ETF is (a) representative of the same economic or geographic sector (as the case may be), and (b) to the extent possible, representative of securities/components listed on one or more exchanges of one or more OECD countries and make relevant adjustments to the Conditions to account for such replacement; or

(C) on giving notice to Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, redeem or cancel, as the case may be, all but not some only of the Securities, each Security being redeemed by payment of the relevant Early Redemption Amount, in the case of N&C Securities, or relevant Early Cancellation Amount, in the case of Warrants.

(c) **Notice**

The Calculation Agent shall, as soon as practicable, notify the relevant Agent of any determination made by it pursuant to paragraph (b) above and the action proposed to be taken in relation thereto and such Agent shall make available for inspection by Securityholders copies of any such determinations.

5. CORRECTION OF INDEX OR ETF SHARE PRICE

With the exception of any corrections published after the day which is three (3) Exchange Business Days prior to (i) in the case of N&C Securities, the Maturity Date or (ii) in the case of Warrants, the Settlement Date, if the level of an Index or ETF published on a given day and used or to be used by the Calculation Agent to make any determination under the Securities, is subsequently corrected and the correction published by the relevant Index Sponsor, Exchange or Related Exchange within one Settlement Cycle after the original publication, the level to be used for calculation of any relevant value in relation to the Securities shall be the level of the Index or ETF Share as so corrected and the Calculation Agent may make any relevant adjustment to the Conditions or any subsequent amount payable under the Securities to account therefor, as the Calculation Agent determines appropriate in good faith and in a commercially reasonable manner.

6. POTENTIAL ADJUSTMENT EVENTS

"**Potential Adjustment Event**" means in respect of ETF Shares any of the following:

(a) a subdivision, consolidation or reclassification of relevant ETF Shares (unless resulting in a Merger Event or, if Tender Offer is specified as applying in the applicable Issue Terms, a Tender Offer) or a free distribution or dividend of any such ETF Shares to existing holders by way of bonus, capitalisation or similar issue;

(b) a distribution, issue or dividend to existing holders of the relevant ETF Shares of (A) such ETF Shares or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the ETF equally or proportionately with such payments to holders of such ETF Shares or (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the ETF, as a result of a spin-off or other similar transaction or (D) any other type of securities, rights or certificates or other assets, in any case for payment (in cash or in other consideration) at less than the prevailing market price as determined by the Calculation Agent;

(c) an Extraordinary Dividend as determined by the Calculation Agent;

(d) a repurchase by the ETF Issuer or any of its subsidiaries of ETF Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or

(e) any other event having, in the opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the relevant ETF Shares.

Following the declaration by the ETF Issuer of the terms of any Potential Adjustment Event, the Calculation Agent will, acting in good faith and in a commercially reasonable manner, determine whether such Potential Adjustment Event has a

diluting or concentrative effect on the theoretical value of the ETF Shares and, if so, will (i) make the corresponding adjustment, if any, to any one or more of (a) any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery N&C Securities), (b) any Relevant Asset and/or Entitlement (in each case with respect to Physical Delivery Warrants) and/or (c) any of the other terms of the Conditions and/or the applicable Issue Terms as the Calculation Agent acting in good faith and in a commercially reasonable manner determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant ETF Share) and (ii) determine the effective date of that adjustment. In its determinations of the existence and extent of any dilutive or concentrative effect on the theoretical value of the ETF Shares relating to any Potential Adjustment Event, and any related adjustments to the terms of the Securities, the Calculation Agent may take into account any amounts of Local Taxes that would, in the determination of the Calculation Agent, be withheld from or paid or otherwise incurred by an Offshore Investor in connection with such Potential Adjustment Event. The Calculation Agent may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the ETF Shares traded on that options exchange.

Upon the making of any such adjustment by the Calculation Agent, the Calculation Agent shall give notice as soon as reasonably practicable under the circumstances to (i) the Issuer and the Principal Paying Agent or Principal Warrant Agent, as the case may be, and (ii) the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, stating the adjustment to (a) any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery N&C Securities), (b) any Relevant Asset and/or Entitlement (in each case with respect to Physical Delivery Warrants) and/or (c) any of the other terms of the Conditions and/or the applicable Issue Terms and giving brief details of the Potential Adjustment Event, provided that any failure to give, or non-receipt of, such notice will not affect the validity of the Potential Adjustment Event.

7. ADDITIONAL DISRUPTION EVENTS

"**Additional Disruption Event**" means:

(A) if "Elected Events Only" is specified in the applicable Issue Terms, any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Loss of Stock Borrow, Merger Event, Tender Offer, Nationalisation, Insolvency, De-Listing and/or ETF Event, but in each case, only to the extent that such events are specified as applying to Equity Index/ETF Linked Securities in the applicable Issue Terms; or

(B) if "Elected Events Only" is specified not to apply in the applicable Issue Terms, any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Loss of Stock Borrow and/or (where the Securities relate to an Exchange Traded Fund) ETF Event.

Consequences of an Additional Disruption Event

(a) If an Additional Disruption Event occurs, the Issuer acting in good faith and in a commercially reasonable manner may either:

(i) require the Calculation Agent to replace the affected Index or ETF Share by a new Index or ETF Share (as applicable) provided that such new Index or ETF Share (as applicable) is (a) representative of the same economic or geographic sector (as the case may be), and (b) to the extent possible, representative of securities/components listed on one or more exchanges of one or more OECD countries and make relevant adjustments to the Conditions to account for such replacement; or

(ii) require the Calculation Agent to determine acting in good faith and in a commercially reasonable manner the appropriate adjustment, if any, to be made to any of the terms of the Securities to account for the Additional Disruption Event and determine the effective date of that adjustment; or

(iii) redeem or cancel, as the case may be, the Securities by giving notice to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable. If the Securities are so redeemed or cancelled, the Issuer will pay each Securityholder the

Early Redemption Amount, in the case of N&C Securities, or Early Cancellation Amount, in the case of Warrants, in respect of each Security held by him determined taking into account the Additional Disruption Event. Payments will be made in such manner as shall be notified to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable.

(b) Upon the occurrence of an Additional Disruption Event, the Issuer shall give notice as soon as practicable to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable stating the occurrence of the Additional Disruption Event giving details thereof and the action proposed to be taken in relation thereto provided that any failure to give, or non-receipt of, such notice will not affect the validity of the Additional Disruption Event or the proposed action.

8. INDEX DISCLAIMER

The Securities are not sponsored, endorsed, sold or promoted by any Index or any Index Sponsor and no Index Sponsor makes any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Index and/or the levels at which the Index stands at any particular time on any particular date or otherwise. No Index or Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Index and the Index Sponsor is under no obligation to advise any person of any error therein. No Index Sponsor is making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Securities. The Issuer (or, if applicable, the Guarantor) shall have no liability to the Securityholders for any act or failure to act by the Index Sponsor in connection with the calculation, adjustment or maintenance of the Index. Neither the Issuer (or, if applicable, the Guarantor) nor its Affiliates has any affiliation with or control over the Index or Index Sponsor or any control over the computation, composition or dissemination of the Index. Although the Calculation Agent will obtain information concerning the Indices from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer (or, if applicable, the Guarantor), its Affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Index.

9. DEFINITIONS

"**Averaging Date**" means each date specified as an Averaging Date in the applicable Issue Terms or, if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent any such day is a Disrupted Day. If any such day is a Disrupted Day, then:

(a) if "**Omission**" is specified as applying in the applicable Issue Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Index/ETF Level provided that, if through the operation of this provision no Averaging Date would occur, then the provisions of the definition of "Valuation Date" will apply for purposes of determining the relevant level, price or amount on the final Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day; or

(b) if "**Postponement**" is specified as applying in the applicable Issue Terms, then the provisions of the definition of "Valuation Date" will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or

(c) if "**Modified Postponement**" is specified as applying in the applicable Issue Terms then:

(i) where the Securities relate to a single Index or ETF, the Averaging Date shall be the first succeeding Valid Date (as defined below). If the first succeeding Valid Date has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether such Scheduled Trading Day is

already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level or price for that Averaging Date in accordance with sub-paragraph (a)(ii) of the definition of "Valuation Date" below;

(ii) where the Securities relate to a basket of assets, the Averaging Date for each Index or ETF not affected by the occurrence of a Disrupted Day shall be the originally designated Averaging Date (the "**Scheduled Averaging Date**") and the Averaging Date for each Index or ETF affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date (as defined below) in relation to such Index or ETF. If the first succeeding Valid Date in relation to such Index or ETF has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether such Scheduled Trading Day is already an Averaging Date) in respect of such Index or ETF, and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with sub-paragraph (b)(ii) of the definition of "Valuation Date" below; and

(iii) for the purposes of these Terms and Conditions "**Valid Date**" means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

"**Bloomberg Screen**" shall mean, when used in connection with any designated page, specified in the applicable Issue Terms, the display page so designated on the Bloomberg service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, in all cases for the purpose of displaying comparable rates in succession thereto).

"**Calculation Date**" means each date specified as a Calculation Date in the applicable Issue Terms which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index/ETF Linked Conditions.

"**Change in Law**" means that, on or after the Trade Date (as specified in the applicable Issue Terms):

(a) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or

(b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority),

the Calculation Agent determines acting in good faith and in a commercially reasonable manner that (i) it has become illegal for any Hedging Party to hold, acquire or dispose of any relevant hedging arrangements relating to a Component Security or the relevant hedge positions relating to an Index or Exchange Traded Fund and/or (ii) any Hedging Party will incur a materially increased cost in performing its obligations in relation to the Securities (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer, any of its Affiliates or any Hedging Party), or (iii) the performance of the Guarantor under the Guarantee has become unlawful.

"**Clearance System**" means in respect of any security or asset comprised in an Index or an ETF the principal domestic clearance system customarily used for setting trades in that security or asset or the ETF.

"**Clearance System Business Day**" means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of a settlement disruption event, would have been) open for acceptance and execution of settlement instructions.

"**Closing Level**" means, in relation to:

(a) a Non-Composite Index, an amount equal to the official closing level of the Index as published by the relevant Index Sponsor;

(b) a Composite Index, the official closing level of such Index as published by the relevant Index Sponsor; or

(c) in the case of an Exchange Traded Fund, an amount equal to the official closing price of such ETF Share on the relevant Exchange,

in each case as determined by the Calculation Agent.

"**Component Security**" means each and any component security or asset of any Index.

"**Composite Index**" means any Index in respect of which the securities comprising such Index are listed, traded or quoted on more than one exchange or quotation system as determined by the Calculation Agent and provided that, notwithstanding this definition, the Calculation Agent may elect to treat an Index as a Non-Composite Index if it determines this is appropriate.

"**De-Listing**" means, in respect of any relevant ETF Shares, the relevant Exchange announces that pursuant to the rules of such Exchange, such ETF Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or, if Tender Offer is specified as applying in the applicable Issue Terms, a Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in a member state of the European Union).

"**Disrupted Day**" means any day which is:

(a) (i) in the case of a Composite Index, any Scheduled Trading Day on which: (A) the Index Sponsor fails to publish the level of the Index; (B) the Related Exchange fails to open for trading during its regular trading session; or (C) a Market Disruption Event has occurred; or

(ii) in the case of any Non-Composite Index, any Scheduled Trading Day on which: (A) the Exchange or the Related Exchange fails to open for trading during their regular trading session or (B) a Market Disruption Event has occurred; or

(b) in the case of an ETF, (i) any Scheduled Trading Day on which a Market Disruption Event has occurred, or (ii) a relevant Exchange or any Related Exchange fails to open during its regular trading session; or

(c) where both Exchange Business Day (Cross Asset Basis) and Scheduled Trading Day (Cross Asset Basis) are specified as applicable in the Issue Terms for Equity Index/ETF Linked Securities and Equity Linked Securities, a Disrupted Day occurs under and as defined in the Equity Linked Conditions.

"**Early Closure**" means:

(a) in the case of a Composite Index, the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time that would apply to the determination of a Closing Level on such Exchange Business Day; and

(b) in the case of any Non-Composite Index or ETF, the closure on any Exchange Business Day with respect to such Index of any relevant Exchange(s) relating to Component Securities that comprise 20.00 per cent. or more of the level of such Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time that would apply to the determination of a Closing Level on such Exchange Business Day.

"**ETF**" means (in respect of an ETF Share) an Exchange Traded Fund.

"**ETF Event**" means, in respect of an Exchange Traded Fund and/or the ETF Shares in respect of such Exchange Traded Fund, the occurrence or existence, at any time, in respect of such Exchange Traded Fund or ETF Shares, as the case may be, of any of the following, as determined by the Calculation Agent:

(a) the Exchange Traded Fund is dissolved or the Exchange Traded Fund or ETF Shares cease to exist;

(b) any voluntary or involuntary liquidation, bankruptcy, insolvency or analogous proceedings are commenced with respect to the Exchange Traded Fund or a resolution is proposed for the winding up or dissolution of the Exchange Traded Fund;

(c) the Exchange Traded Fund is reclassified, consolidated, amalgamated or merged with another fund whose investment objective(s), risk profile and/or investment benchmark(s) is or are deemed by the Calculation Agent to be different from the investment objective(s), risk profile and/or benchmark(s) that applied to the Exchange Traded Fund as at the Trade Date, or a resolution or other decision is proposed to effect any such reclassification, consolidation, amalgamation or merger;

(d) the Exchange Traded Fund consolidates, amalgamates or merges with any other fund such that the Exchange Traded Fund is not the continuing entity, the Exchange Traded Fund changes its form or a resolution or other decision is proposed to effect any such consolidation, amalgamation, merger or change;

(e) there is a change or any announcement regarding such change that in the opinion of the Calculation Agent is material in the investment objective(s), investment restrictions, investment process, investment guidelines, risk profile, or investment benchmark(s) of the Exchange Traded Fund (howsoever described, including the underlying type of assets in which the ETF invests), the information about the Exchange Traded Fund disclosed in the Fund Documents, any additional public statement of information concerning the Exchange Traded Fund or any rule, law, regulation, similar guideline or other document governing the activities of the Exchange Traded Fund or a resolution or other decision is proposed to effect any such material change;

(f) any event occurs which is likely to have a material adverse effect on the solvency or liquidity of the Exchange Traded Fund as well as the value of the ETF Shares, including, but not limited to, any material litigation concerning the Exchange Traded Fund between any holders of the ETF Shares and the Exchange Traded Fund or the Exchange Traded Fund and any Fund Service Provider;

(g) there is any restriction under the constitution of the Exchange Traded Fund or the law of the jurisdiction in which the Exchange Traded Fund is incorporated that is likely to prevent a Hedging Party subscribing for ETF Shares or as a result of which a Hedging Party is likely to be required to redeem any ETF Shares;

(h) the activities of the Exchange Traded Fund or any Fund Service Provider are placed under review by its regulators for reasons of wrongdoing, breach of any rule or regulation or similar reason;

(i) (A) a Fund Service Provider ceases to act in such capacity in relation to the ETF (including by way of Merger Event or Tender Offer) and is not immediately replaced in such capacity by a successor acceptable to the Calculation Agent; and/or (B) any event occurs which causes, or will with the passage of time (in the opinion of the Calculation Agent) cause, the failure of the ETF and/or any Fund Service Provider to meet or maintain any obligation or undertaking under the Fund Documents which failure is reasonably likely to have an adverse impact on the value of the ETF Shares or on the rights or remedies of any investor therein;

(j) an Exchange announces that pursuant to the rules of such Exchange, ETF Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union);

(k) the ETF ceases to be an undertaking for collective investments under the legislation of its relevant jurisdiction, provided that on the relevant Issue Date, the ETF was such an undertaking and any such cessation would, in the sole and absolute discretion of the Calculation Agent, have a material adverse effect on any investor in such ETF Shares;

(l) all the shares or all the assets or substantially all the assets of the Exchange Traded Fund are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof;

(m) any subscription or redemption orders with respect to the ETF Shares are not executed as described in the Fund Documents;

(n) any suspension or delay of the calculation or publication of the net asset value of the Exchange Traded Fund or ETF Shares or any failure by any Fund Service Provider to deliver when due any relevant report detailing the net asset value of the Exchange Traded Fund;

(o) the increase of, or introduction by the Exchange Traded Fund of, charges for dealings in ETF Shares; or

(p) changes in the regulatory, tax, accounting and/or another treatment applicable to the Exchange Traded Fund and/or which might reasonably be expected to have an economic, legal or regulatory impact on a holder of ETF Shares.

"**ETF Issuer**" means, in respect of an Exchange Traded Fund, the entity specified in the applicable Issue Terms as the issuer of that Exchange Traded Fund.

"**ETF Share**" means, in respect of an Exchange Traded Fund, the share, unit or other interest or unit of holding in the ETF Issuer (including, without limitation, any debt security) issued to or held by an investor in respect of the relevant Exchange Traded Fund.

"**Exchange**" means:

(a) in the case of a Composite Index, in respect of each Component Security, the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent, any successor thereto or any substitute exchange or quotation system to which trading in the Component Securities underlying the Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the Component Securities on such temporary substitute exchange or quotation system as on the original Exchange);

(b) in the case of any Non-Composite Index, the relevant exchange or quotation system specified for such Index in the applicable Issue Terms or if no such exchange or quotation system is specified for such Index in the Issue Terms, the exchange or quotation system on which all or substantially all relevant Component Securities are listed (being for the avoidance of doubt, where any Component Security has more than one listing, the exchange or quotation system used by the relevant Index Sponsor for the purposes of valuing the relevant price of such Component Security) or, in each case, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Component Securities comprising such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity in relation to the Component Securities comprising such Index on such temporary substitute exchange or quotation system as on the original Exchange); and

(c) in respect of an ETF Share, each exchange or quotation system specified as such for such ETF Share in the applicable Issue Terms or, if none is specified, the principal exchange or quotation system for trading in such ETF Share, as determined by the Calculation Agent, any successor to such Exchange or quotation system or any substitute exchange or quotation system to which trading in the ETF Share has temporarily relocated, provided that the Calculation Agent has determined that there is comparable liquidity relative to such ETF Share on such temporary substitute exchange or quotation system as on the original Exchange.

"**Exchange Business Day**" means (a) in the case of a single Index or ETF, Exchange Business Day (Single Index/ETF Basis) or (b) in the case of a basket of Indices or ETFs or assets, (i) Exchange Business Day (All Indices/ETFs Basis) or (ii) Exchange Business Day (Per Index/ETF Basis) or (iii) Exchange Business Day (Cross Asset Basis), in each case as specified in the applicable Issue Terms, provided that, in the case of (b), if no such specification is made in the applicable Issue Terms, Exchange Business Day (All Indices/ETFs Basis) shall apply.

"**Exchange Business Day (All Indices/ETFs Basis)**" means, in respect of a basket of Indices or ETFs or assets any Scheduled Trading Day on which (a) in respect of any Non-Composite Index, each relevant Exchange and each Related Exchange (if any) is open for trading for its regular trading session in respect of all Indices and/or ETFs comprised in the basket, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time and (b) in respect of any Composite Index, (i) the relevant Index Sponsor calculates and publishes the level of such Composite Index and (ii) each Exchange (in respect only of an ETF) and each Related Exchange (if any) in respect of each Composite Index or ETF in the basket, is open for trading during its regular trading session notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"**Exchange Business Day (Cross Asset Basis)**" means, in respect of a basket of assets, any Scheduled Trading Day on which (a) in respect of any Non-Composite Index, each relevant Exchange and each Related Exchange (if any) is open for trading for its regular trading session in respect of all Indices and/or ETFs comprised in the basket, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time and (b) in respect of any Composite Index, (i) the relevant Index Sponsor calculates and publishes the level of such Composite Index and (ii) each Exchange (in respect only of an ETF) and each Related Exchange (if any) in respect of each Composite Index or ETF in the basket, is open for trading during its regular trading session (notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time) which, in each case, is also an Exchange Business Day under and as defined in the Equity Linked Conditions.

"**Exchange Business Day (Per Index/ETF Basis)**" means any Scheduled Trading Day on which: (a) in the case of any Composite Index (i) the Index Sponsor calculates and publishes the level of such Composite Index; and (ii) each Exchange (in respect only of an ETF) and each Related Exchange (if any) in respect of such Composite Index or an ETF is open for trading during its regular trading session, notwithstanding such Exchange or Related Exchange closing prior to its Scheduled Closing Time; and (b) for any other Index, the relevant Exchange and each Related Exchange (if any) in respect of such Index or an ETF is open for trading during its regular trading session, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"**Exchange Business Day (Single Index/ETF Basis)**" means any Scheduled Trading Day on which (a) in respect of a Non-Composite Index, the relevant Exchange and each relevant Related Exchange (if any) in respect of such Index or an ETF is open for trading during its regular trading session, notwithstanding any such relevant Exchange or relevant Related Exchange closing prior to its Scheduled Closing Time and (b) in respect of a Composite Index (i) the relevant Index Sponsor calculates and publishes the level of such Composite Index and (ii) each Exchange (in respect only of an ETF) and each Related Exchange (if any) in respect of such Composite Index or an ETF, is open for trading during its regular trading session notwithstanding such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"**Exchange Disruption**" means, with respect to:

(a) in the case of any Composite Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (A) any Component Security on the Exchange in respect of such Component Security; or (B) in futures or options contracts relating to such Index on the Related Exchange; or

(b) in the case of any Non-Composite Index or an ETF, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for ETF Shares on the Exchange (or in the case of an Index, on any relevant Exchange(s) relating to Component Securities that comprise 20 per cent. or more of the level of the relevant Index, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index or ETF Shares (as the case may be) on any relevant Related Exchange.

"**Exchange Traded Fund**" means each fund that is specified in the applicable Issue Terms as an ETF.

"**Extraordinary Dividend**" means an amount per ETF Share specified in the applicable Issue Terms. If no Extraordinary Dividend is specified in the applicable Issue Terms, the characterisation of a dividend or portion thereof as an Extraordinary Dividend shall be determined by the Calculation Agent acting in good faith and in a commercially reasonable manner.

"**Final Valuation Date**" means the date specified as the Final Valuation Date in the applicable Issue Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index/ETF Linked Conditions.

"**Fund Documents**" means, in respect of an Exchange Traded Fund, the constitutive and governing documents of that Exchange Traded Fund, the prospectus or offering document relating to the Exchange Traded Fund and the relevant ETF Shares, and any subscription or other agreements of the Exchange Traded Fund specifying the terms and conditions relating to the Exchange Traded Fund, each as amended from time to time.

"**Fund Service Provider**" means, in respect of an Exchange Traded Fund, any person or entity from time to time appointed to provide services, directly or indirectly, in respect of such Exchange Traded Fund, as investment advisor, manager, administrator, operator, management company, depository, custodian, sub-custodian, prime broker, trustee, registrar, domiciliary agent, sponsor, general partner or transfer agent in respect of that Exchange Traded Fund.

"**Hedging Disruption**" means that any Hedging Party is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge any relevant price risk, including but not limited to the currency risk, of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the Securities, or (b) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s), as determined by Calculation Agent.

"**Hedging Party**" means, at any relevant time, the Issuer or any Affiliate(s) or any entity (or entities) providing the Issuer directly or indirectly with hedging arrangements in relation to the Securities as the Issuer may select at such time.

"**Hedging Shares**" means the number of Component Securities comprised in an Index that the Issuer deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Securities.

"**Increased Cost of Hedging**" means that any Hedging Party would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, equity price risk, foreign exchange risk and interest rate risk) of the Issuer (or the Guarantor, as appropriate) issuing and performing its obligations with respect to the Securities, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

"**Increased Cost of Stock Borrow**" means that the Hedging Party would incur a rate to borrow any Component Security comprised in an Index that is greater than the Initial Stock Loan Rate.

"**Index**" and "**Indices**" mean, subject to adjustment in accordance with these Equity Index/ETF Linked Conditions, the equity index or equity indices and in relation to an Exchange Traded Fund, each related index or related indices specified in the applicable Issue Terms and related expressions shall be construed accordingly.

"**Index/ETF Level**" means, in respect of an Index or ETF, the Opening Level, Closing Level, Intraday Level or Observation Level of such Index or ETF, as set out in the applicable Issue Terms provided: (a) in respect of any ETF Shares for which the Exchange is an auction or "open outcry" exchange that has a price as of the Relevant Time at which any trade can be submitted for execution, the relevant level shall be the price per ETF Shares as of the Relevant Time on the relevant day, as reported in the official real time price dissemination mechanism for such Exchange; and (b) in respect of any ETF Shares for which the Exchange is a dealer exchange or dealer quotation system, the relevant level shall be the

mid point of the highest bid and lowest ask prices quoted as of the Relevant Time on the relevant day (or the last such prices quoted immediately before the Relevant Time) without regard to quotations that "lock" or "cross" the dealer exchange or dealer quotation system.

"**Index Sponsor**" means, in relation to an Index, the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to such Index and (b) announces (directly or through an agent) the level of such Index on a regular basis, which as of the Issue Date of the Securities is the index sponsor specified for such Index in the applicable Issue Terms.

"**Initial Stock Loan Rate**" means, in respect of the relevant Component Security, the rate which the Hedging Party would have incurred to borrow such Component Security on any Relevant Market as of the Trade Date, as determined by the Calculation Agent.

"**Initial Valuation Date**" means the date specified as the Initial Valuation Date in the applicable Issue Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index/ETF Linked Conditions.

"**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the ETF (i) all the ETF Shares of that ETF are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the ETF Shares of that ETF become legally prohibited from transferring them.

"**Intraday Level**" means the level of an Index or ETF Share observed by the Calculation Agent at any time during the regular trading session hours of the relevant Exchange, without regard to after hours or any other trading outside of the regular trading session hours.

"**Local Taxes**" shall mean taxes, duties and similar charges imposed by the taking authority of the country in which the ETF Issuer has been incorporated or in which the relevant Exchange is located.

"**Loss of Stock Borrow**" means that the Hedging Party is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any ETF Shares or Component Securities comprised in an Index in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

"**Maximum Stock Loan Rate**" means, unless otherwise specified in the applicable Issue Terms, and in respect of the relevant Component Security, the lowest rate which the Hedging Party, after using commercially reasonable efforts, would have incurred to borrow such Component Security in the Relevant Market, in an amount equal to the Hedging Shares, as of the Trade Date, as determined by the Calculation Agent.

"**Merger Date**" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

"**Merger Event**" means, in respect of any relevant ETF Shares, any (i) reclassification or change of such ETF Shares that results in a transfer of or an irrevocable commitment to transfer all of such ETF Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a ETF with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such ETF is the continuing entity and which does not result in a reclassification or change of all of such ETF Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding ETF Shares of the ETF that results in a transfer of or an irrevocable commitment to transfer all such ETF Shares (other than such ETF Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the ETF or its sub-funds with or into another entity in which the ETF is the continuing entity and which does not result in a reclassification or change of all such ETF Shares outstanding but results in the outstanding ETF Shares (other than ETF Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding ETF Shares immediately following such event, in each case if the Merger Date is on or before (1) in the case of Cash Settled Securities, the last occurring Valuation Date or Scheduled Observation Date or where Averaging is specified in the applicable Issue Terms, the final Averaging

Date, (2) in the case of Physical Delivery N&C Securities, the relevant Maturity Date or (3) in the case of Physical Delivery Warrants, the relevant Settlement Date.

"**Nationalisation**" means that all the ETF Shares or all or substantially all the assets of the ETF are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof;

"**Non-Composite Index**" means an Index that is not a Composite Index (together "**Non-Composite Indices**").

"**Observation Level**" means any of the following levels, each as specified in the applicable Issue Terms: (a) the lowest Closing Level observed by the Calculation Agent on the Scheduled Observation Dates, (b) the highest Closing Level observed by the Calculation Agent on the Scheduled Observation Dates, or (c) the level of the Index or ETF observed by the Calculation Agent on the relevant Initial Valuation Date or Scheduled Observation Date at the time specified in the applicable Issue Terms.

"**Observation Period**" means the period specified as the Observation Period in the applicable Issue Terms.

"**Offshore Investor**" shall mean a holder of ETF Shares who is an institutional investor not resident in the country in which the ETF Issuer has been incorporated or in which the relevant Exchange is located (the "**Local Jurisdiction**"), for the purposes of the tax laws and regulations of the Local Jurisdiction and, for the avoidance of doubt, whose jurisdiction of residence (i) shall be determined by the Calculation Agent acting in good faith and in a commercially reasonable manner and (ii) may be the jurisdiction of a Hedging Party.

"**Opening Level**" means, in relation to:

(a) a Non-Composite Index, an amount equal to the official opening level of the Index as published by the relevant Index Sponsor;

(b) a Composite Index, the official opening level of such Index as published by the relevant Index Sponsor; or

(c) in the case of an Exchange Traded Fund, an amount equal to the official opening price of such ETF Share on the relevant Exchange or Related Exchange,

in each case as determined by the Calculation Agent.

"**Related Exchange**" means, in respect of Equity Index/ETF Linked Securities and in relation to an Index and/or ETF, each exchange or quotation system on which option contracts or futures contracts relating to such Index and/or ETF are traded, as determined by the Calculation Agent, or each exchange or quotation system specified as such for such Index and/or ETF in the applicable Issue Terms, any successor to any such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index and/or in the ETF has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index and/or the ETF, as applicable, on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where "**All Exchanges**" is specified as the Related Exchange in the applicable Issue Terms, "**Related Exchange**" shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index and/or such ETF as determined by the Calculation Agent.

"**Related Index**" means, in respect of an ETF, the underlying index to which the ETF relates.

"**Relevant Market**" means, for the purpose of determining any value or other amount pursuant to these Equity Index/ETF Linked Conditions, any relevant quotation system, exchange, dealing system, screen page, over-the-counter derivatives or other market which the Calculation Agent determines appropriate for such purpose and which it may select taking into account hedging arrangements of the Issuer and/or its Affiliates for the Securities.

"**Relevant Time**" shall have the meaning specified in the applicable Issue Terms.

"**Reuters Screen**" shall mean, when used in connection with any designated page, specified in the applicable Issue Terms, the display page so designated on the Reuters Money Market Rate Services or such other services or service as may be nominated as the information vendor for the purpose of displaying the specific page on that service or such other page as may be replace that page on that service or such other service, in all cases for the purpose of displaying comparable rates in succession thereto.

"**Scheduled Closing Time**" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

"**Scheduled Observation Date**" means each date specified as a Scheduled Observation Date in the applicable Issue Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index/ETF Linked Conditions.

"**Scheduled Opening Time**" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday opening time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to any pre-opening or any other trading outside of the regular trading session hours.

"**Scheduled Trading Day**" means (a) in the case of a single Index or ETF, Scheduled Trading Day (Single Index/ETF Basis) or (b) in the case of a basket of Indices or ETFs or assets, (i) Scheduled Trading Day (All Indices/ETFs Basis) or (ii) Scheduled Trading Day (Per Index/ETFs Basis) or (iii) Scheduled Trading Day (Cross Asset Basis), in each case as specified in the applicable Issue Terms, provided that if, in the case of (b), no such specification is made in the applicable Issue Terms, Scheduled Trading Day (All Indices/ETFs Basis) shall apply.

"**Scheduled Trading Day (All Indices/ETFs Basis)**" means, in respect of a basket of Indices or ETFs or assets any day on which (a) in respect of any Non-Composite Indices, each relevant Exchange and each Related Exchange (if any) in respect of each Index or ETF in the basket is scheduled to be open for trading for its regular trading session, and (b) in respect of any Composite Indices, (i) the relevant Index Sponsor is scheduled to calculate and publish the levels of each Composite Index in the basket and (ii) each Exchange (in respect only of an ETF) and each Related Exchange (if any) in respect of such Composite Indices or an ETF is scheduled to be open for trading during its regular trading session.

"**Scheduled Trading Day (Cross Asset Basis)**" means, in respect of a basket of assets, any day on which (a) in respect of any Non-Composite Indices, each relevant Exchange and each Related Exchange (if any) in respect of each Index or ETF in the basket is scheduled to be open for trading for its regular trading session, and (b) in respect of any Composite Indices, (i) the relevant Index Sponsor is scheduled to calculate and publish the levels of each Composite Index in the basket and (ii) each Exchange (in respect only of an ETF) and each Related Exchange (if any) in respect of such Composite Indices or an ETF is scheduled to be open for trading during its regular trading session which in each case is also a Scheduled Trading Day under and as defined in the Equity Linked Conditions.

"**Scheduled Trading Day (Per Index/ETF Basis)**" means (a) in respect of a Non-Composite Index, any day on which the relevant Exchange and each Related Exchange (if any) in respect of such Index or an ETF is scheduled to be open for trading for its regular trading session, and (b) in respect of any Composite Index, any day on which (i) the Index Sponsor is scheduled to calculate and publish the level of such Composite Index; and (ii) each Exchange (in respect only of an ETF) and each Related Exchange (if any) in respect of such Composite Index or an ETF is scheduled to be open for trading for its regular trading session.

"**Scheduled Trading Day (Single Index/ETF Basis)**" means any day on which (a) in respect of an Index other than a Composite Index, the relevant Exchange and each Related Exchange (if any) is scheduled to be open for trading during its regular trading session, and (b) in respect of a Composite Index (i) the relevant Index Sponsor is scheduled to calculate and publish the level of such Composite Index and (ii) each Exchange (in respect only of an ETF) and each Related Exchange (if any) in respect of such Composite Index or an ETF is scheduled to be open for trading during its regular trading session.

"**Scheduled Valuation Date**" means any original date that, but for the occurrence of an event issuing a Disrupted Day would have been a Valuation Date.

"**Screen Page**" means the page specified in the applicable Issue Terms, or any successor page or service thereto.

"**Settlement Cycle**" means, in respect of any Index or ETF, the period of Clearance System Business Days following a trade in the securities underlying such Index or the ETF on the Exchange in which settlement will customarily occur according to the rules of such Exchange (or, if there are multiple Exchanges in respect of an Index, the longest such period).

"**Specified Maximum Days of Disruption**" means the lesser of (a) either (i) eight (8) Scheduled Trading Days or (ii) such other number of Scheduled Trading Days specified as such in the applicable Issue Terms and (b) such number of Scheduled Trading Days in the period from (but excluding) the Scheduled Valuation Date or Scheduled Averaging Date, as applicable to (but excluding) the third (3rd) Business Day prior to any due date or scheduled date for any payment under the Securities for which valuation on the relevant Averaging Date or Valuation Date is relevant, all as determined by the Calculation Agent.

"**Tender Offer**" means, in respect of any ETF Shares, as determined by the Calculation Agent, acting in a commercially reasonable manner, a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the ETF, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

"**Trade Date**" means the date specified as such in relation to Equity Index/ETF Linked Securities in the applicable Issue Terms.

"**Trading Disruption**" means:

(a) in the case of a Composite Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise: (i) relating to any Component Security on the Exchange in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on the Related Exchange; and

(b) in the case of a Non-Composite Index or ETF Shares, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (a) relating to the ETF Shares or the Component Securities that comprise 20.00 per cent. or more of the level of such Index on any relevant Exchange(s) or (b) in futures or options contracts relating to such Index or ETF Shares on any relevant Related Exchange.

"**Valuation Date**" means the date specified as such in the applicable Issue Terms and otherwise in accordance with the above provisions or, if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day, then:

(a) in the case of Securities relating to a single Index or ETF, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Index/ETF Level by determining the level or price of the Index or ETF Share as of the Valuation Time on the last such consecutive Scheduled Trading Day in accordance with the formula for and method of calculating the Index or ETF Share last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the last such consecutive Scheduled Trading Day of each security or asset comprised in the Index or ETF, as applicable (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security or asset or ETF, as applicable, on the last such consecutive

Scheduled Trading Day, its good faith estimate of the value for the relevant security or asset or ETF, as applicable, as of the Valuation Time on that eighth Scheduled Trading Day); or

(b) in the case of Securities relating to a basket of assets, the Valuation Date for each Index or ETF, not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Index or ETF, affected (each an "**Affected Item**") by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Item unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Item. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Item, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Index/ETF Level using, in relation to the Affected Item, the level or price of that Index or ETF Share as of the Valuation Time on the last such consecutive Scheduled Trading Day in accordance with the formula for and method of calculating that Index or ETF Share last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the last such consecutive Scheduled Trading Day of each security or asset comprised in that Index or ETF, as applicable (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security or asset or ETF, as applicable, on the last such consecutive Scheduled Trading Day, its good faith estimate of the value for the relevant security or asset or ETF, as applicable, as of the Valuation Time on that eighth Scheduled Trading Day).

"**Valuation Time**" means the Relevant Time specified in the applicable Issue Terms or if not so specified:

(a) in the case of a Composite Index, in respect of such Index: (i) for the purposes of determining whether a Market Disruption Event has occurred: (A) in respect of any Component Security, for the purposes of determining an Opening Level, the Scheduled Opening Time or, for the purposes of determining a Closing Level, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (B) in respect of any options contracts or futures contracts on the Index, for purposes of determining an Opening Level, the open of trading or, for purposes of determining a Closing Level, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the relevant Index/ETF Level is calculated and published by the Index Sponsor or quoted on the relevant Exchange; and

(b) in the case of any Non-Composite Index or an ETF, (i) for the purposes of determining an Opening Level, the Scheduled Opening Time or, for the purposes of determining a Closing Level, the Scheduled Closing Time on the Exchange on the relevant date. If the Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time and (ii) in all other circumstances, the time at which the relevant Index/ETF Level is calculated and published by the Index Sponsor or quoted on the relevant Exchange.

10. PHYSICAL DELIVERY N&C SECURITIES

This Equity Index/ETF Linked Condition 10 will only apply to Exempt N&C Securities that relate to ETF Shares.

(A) Physical Delivery

(1) Asset Transfer Notices

In relation to Physical Delivery N&C Securities, in order to obtain delivery of the Asset Amount(s) in respect of any N&C Security:

(X) if such N&C Security is represented by a Global N&C Security, the relevant N&C Securityholder must deliver to Euroclear or Clearstream, Luxembourg (as applicable), with a copy to the Principal Paying Agent and Calculation Agent not later than the close of business in each place of reception on the Equity Index/ETF Cut-Off Date, a duly completed Asset Transfer Notice in the form set out in the Agency Agreement; and

(Y) if such N&C Security is in definitive form, the relevant N&C Securityholder must deliver (i) if this N&C Security is a Bearer N&C Security, to any Paying Agent or (ii) if this N&C Security is a Definitive Registered N&C Security, to the Registrar or any Paying Agent, in each case, with a copy to the Principal Paying Agent and Calculation Agent not later than the close of business in each place of reception on the Equity Index/ETF Cut-Off Date, a duly completed Asset Transfer Notice in the form set out in the Agency Agreement.

Copies of the Asset Transfer Notice may be obtained during normal business hours from the specified office of the Registrar or any Paying Agent.

An Asset Transfer Notice may only be delivered (i) if such N&C Security is represented by a Global N&C Security, in such manner as is acceptable to Euroclear or Clearstream, Luxembourg, as the case may be, or (ii) if such N&C Security is in definitive form, in writing.

If this N&C Security is in definitive form, this N&C Security must be delivered together with the duly completed Asset Transfer Notice.

The Asset Transfer Notice shall:

(i) specify the name, address and contact telephone number of the relevant N&C Securityholder and the person from whom the Issuer may obtain details for the delivery of the Asset Amount;

(ii) specify the series number of the N&C Securities and the number of N&C Securities which are the subject of such notice;

(iii) in the case of N&C Securities represented by a Global N&C Security, specify the nominal amount or, in case of N&C Securities issued in units, number of N&C Securities which are the subject of such notice and the number of the N&C Securityholder's account at Euroclear or Clearstream, Luxembourg as the case may be to be debited with such N&C Securities and irrevocably instruct and authorise the relevant Clearance System to debit the relevant N&C Securityholder's account with such N&C Securities on or before the Delivery Date;

(iv) include an undertaking to pay all Delivery Expenses (as defined below) and, in the case of N&C Securities represented by a Global N&C Security, an authority to Euroclear or Clearstream, Luxembourg, as the case may, be to debit a specified account of the N&C Securityholder with Euroclear or Clearstream, Luxembourg, as the case may be, in respect thereof and to pay such Delivery Expenses;

(v) include such details as are required for delivery of the Asset Amount which may include account details and/or the name and address of any person(s) into whose name evidence of the Asset Amount is to be registered and/or any bank, broker or agent to whom documents evidencing the Asset Amount are to be delivered and specify the name and number of the N&C Securityholder's account to be credited with any cash payable by the Issuer, either in respect of any cash amount constituting the Asset Amount or any dividends relating to the Asset Amount or as a result of the occurrence of a Settlement Disruption Event and the Issuer electing to pay the Disruption Cash Redemption Amount;

(vi) certify that the beneficial owner of each N&C Security is not a U.S. person (as defined in the Asset Transfer Notice), the N&C Security is not being redeemed within the United States or on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with any redemption thereof;

(vii) authorise the production of such certification in any applicable administrative or legal proceedings,

all as provided in the Agency Agreement.

(2) Verification of the N&C Securityholder

In the case of N&C Securities represented by a Global N&C Security, upon receipt of an Asset Transfer Notice, Euroclear or Clearstream, Luxembourg as the case may be shall verify that the person delivering the Asset Transfer Notice is the holder of the N&C Securities described therein according to its records. Subject thereto, Euroclear or Clearstream, Luxembourg as the case may be will confirm to the Principal Paying Agent the series number and number of N&C Securities which are the subject of such notice, the relevant account details and the details for the delivery of the Asset Amount of each N&C Security. Upon receipt of such confirmation, the Principal Paying Agent will inform the Issuer thereof. Euroclear or Clearstream, Luxembourg, as the case may be, will on or before the Delivery Date debit the securities account of the relevant N&C Securityholder with the relevant N&C Securities.

(3) Determinations and Delivery Expenses

Any determination as to whether an Asset Transfer Notice is duly completed and in proper form shall be made, in the case of N&C Securities represented by a Global N&C Security, by Euroclear or Clearstream, Luxembourg, as the case may be or, in the case of N&C Securities in definitive form, by the relevant Paying Agent or the Registrar, as the case may be, in each case in consultation with the Principal Paying Agent, and shall be conclusive and binding on the Issuer, the Principal Paying Agent(s) and the relevant N&C Securityholder. Subject as set out below, any Asset Transfer Notice so determined to be incomplete or not in proper form, or which is not copied to the Principal Paying Agent immediately after being delivered or sent as provided in paragraph (1) above, shall be null and void.

If such Asset Transfer Notice is subsequently corrected to the satisfaction of, in the case of N&C Securities represented by a Global N&C Security, Euroclear or Clearstream, Luxembourg, as the case may be, or, in the case of N&C Securities in definitive form, by the relevant Paying Agent or the Registrar, as the case may be, in each case in consultation with the Principal Paying Agent, it shall be deemed to be a new Asset Transfer Notice submitted at the time such correction was delivered as provided above.

No Asset Transfer Notice may be withdrawn after receipt thereof by the relevant Clearance System, the Registrar or a Paying Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice, the relevant N&C Securityholder may not transfer the N&C Securities which are the subject of such notice.

All costs, taxes, duties and/or expenses including any applicable depositary charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other costs, duties or taxes which the Calculation Agent determines may be or would be, or would have been incurred (i) in connection with the redemption of the N&C Securities and/or the delivery of the Asset Amount in respect of such N&C Securities and (ii) by the Issuer or any Affiliate had such entity unwound or varied any underlying related hedging arrangements in respect of the N&C Security ("**Delivery Expenses**") shall be for the account of the relevant N&C Securityholder and no Asset Amount will be deliverable until the relevant Delivery Expenses have been met or otherwise accounted for to the satisfaction of the Issuer.

(4) Delivery

(a) Subject to:

(i) an Asset Transfer Notice having been duly delivered as provided above on or prior to the Equity Index/ETF Cut-Off Date; and

(ii) all Delivery Expenses having been paid or otherwise accounted for to the satisfaction of the Issuer by the relevant N&C Securityholder,

the Issuer shall, at the risk of the relevant N&C Securityholder, deliver or procure the delivery of the Asset Amount for each N&C Security, pursuant to the details specified in the Asset Transfer Notice or in such commercially reasonable manner as the Calculation Agent shall in its sole discretion determine and notify to the person designated by the N&C Securityholder in the relevant Asset Transfer Notice, on the date fixed for redemption (such date, subject to adjustment in accordance with this Equity Index/ETF Linked Condition, the "**Delivery Date**"). Where the Asset Transfer Notice stipulates that the Asset Amount should be delivered to a specified clearing system, the Issuer's or the Guarantor's obligation to deliver such Asset Amount will be discharged by delivery to, or to the order of, the relevant clearing system and each of the persons shown in the records of the relevant clearing system as the account holder must look solely to the relevant clearing system for his share of any Asset Amount so delivered.

(b) If a N&C Securityholder fails to give an Asset Transfer Notice as provided herein with a copy to the Principal Paying Agent, on or prior to the Equity Index/ETF Cut-Off Date, then:

(i) the Issuer may elect, in its sole discretion to deliver or procure the delivery of the aggregate Asset Amounts for all such affected N&C Securities, at the risk of the relevant N&C Securityholder, to, or to the order of, the relevant Clearance System(s) in which the N&C Securities are held (and this may be after the date fixed for redemption) and its obligation to deliver any such Asset Amount so delivered shall be discharged thereby. Each of the persons shown in the records of the relevant Clearance System as the holder of a particular amount of the N&C Securities must look solely to the relevant Clearance System for his share of each such Asset Amount so delivered to, or to the order of, such Clearance System. For the purposes of paragraph (5) below, each Clearance System will be deemed to be a single N&C Securityholder and each Clearance System will be requested to divide and deliver such Asset Amounts in accordance with its rules; or

(ii) the Asset Amount will be delivered as soon as practicable after the date fixed for redemption (in which case, such date of delivery shall be the Delivery Date) at the risk of such N&C Securityholder in the manner provided in paragraph (a) above. For the avoidance of doubt, in such circumstances such N&C Securityholder shall not be entitled to any payment, whether of interest or otherwise, as a result of such Delivery Date falling after the date fixed for redemption and no liability in respect thereof shall attach to the Issuer.

(c) To the extent that the Issuer is not satisfied that the Delivery Expenses have been or will be paid in full by the relevant N&C Securityholder on or prior to the relevant Delivery Date, the Issuer may, in its sole discretion, elect to reduce the Asset Amount(s) to be delivered by an amount(s) which by market value (determined at the time of reduction by reference to such valuation sources as the Issuer determines appropriate) in aggregate is at least equal to the aggregate Delivery Expenses that it determines, in its sole discretion, have not been paid or otherwise accounted for (the Asset Amount as so reduced, the "**Reduced Asset Amount**"). Where the Issuer elects to make such a reduction, in accordance with this Equity Index/ETF Linked Condition 10(A)(4)(c), the Issuer's obligation to deliver the Asset Amount(s) shall be discharged in full by delivery of the Reduced Asset Amount in accordance with the provisions of this Equity Index/ETF Linked Condition 10(A)(4). The provisions of paragraphs (5) and (6) of this Equity Index/ETF Linked Condition 10(A) and the provisions of

Equity Index/ETF Linked Condition 10(B) shall apply *mutatis mutandis* to any such delivery of the Reduced Asset Amount.

(5) General

For the purpose of determining the Asset Amounts in respect of the N&C Securities, N&C Securities held by the same N&C Securityholder will be aggregated. The aggregate Asset Amount(s) to be delivered in respect of each such aggregated holding will be rounded down to the nearest whole unit of the Relevant Asset (or, where there is more than one type of Relevant Asset, each of the Relevant Assets), as the case may be, in such manner as the Calculation Agent shall determine. Therefore, fractions of the Relevant Asset or of each of the Relevant Assets, as the case may be, will not be delivered but in lieu thereof the Issuer shall pay to the N&C Securityholders in respect of their respective holding an additional amount in the Specified Currency equal to the fair market value of such fraction(s) in such manner as shall be determined by the Calculation Agent acting in good faith and in a commercially reasonable manner and notified to N&C Securityholders in accordance with N&C Security Condition 14 (Notices).

Following the Delivery Date of a ETF Share all dividends on the relevant ETF Shares to be delivered will be payable to the party that would receive such dividend according to market practice for a sale of the Shares executed on the Delivery Date and to be delivered in the same manner as such relevant Shares. Any such dividends to be paid to a N&C Securityholder will be paid to the account specified by the N&C Securityholder in the relevant Asset Transfer Notice as referred to in Equity Index/ETF Linked Condition 10(A)(1) or otherwise paid to the relevant Clearance System for the account of N&C Securityholders.

For such period of time after delivery of the Asset Amount as the Issuer or any person acting on behalf of the Issuer shall continue to be the legal owner of the securities comprising the Asset Amount (the "Intervening Period"), none of the Issuer, the Paying Agents, the Registrar or any other person shall at any time (i) be under any obligation to deliver or procure delivery to any N&C Securityholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of such securities or obligations, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to such securities or obligations or (iii) be under any liability to a N&C Securityholder in respect of any loss or damage which such N&C Securityholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of such securities or obligations comprised in such Asset Amount or otherwise as specified in the applicable Pricing Supplement.

(6) Settlement Disruption

If, in the opinion of the Calculation Agent, delivery of the Asset Amount using the method of delivery specified in the applicable Pricing Supplement or such commercially reasonable manner as the Calculation Agent has determined is not practicable by reason of a Settlement Disruption Event (as defined below) having occurred and continuing on the Delivery Date, then the Delivery Date shall be postponed to the first following Settlement Business Day in respect of which there is no such Settlement Disruption Event unless there is a Settlement Disruption Event on each of the ten (10) Settlement Business Days immediately following the original date that, but for such Settlement Disruption Event, would have been a valid Delivery Date. In that case, (a) if the Asset Amount can be delivered in any other commercially reasonable manner, as determined by the Calculation Agent, the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant N&C Security by delivering the Asset Amount using such other commercially reasonable manner as it may select and in such event the Delivery Date shall be the first day on which settlement of a sale of Relevant Assets comprising the Asset Amount executed on that tenth (10) Clearance System Business Day would customarily take place using such other commercially reasonable manner, and (b) if the Relevant Assets comprising the Asset Amount cannot be delivered in any other commercially reasonable manner, then the Delivery Date will be postponed until delivery can be effected in the manner contemplated in the Asset Transfer Notice or in any other commercially reasonable manner, as determined by the Calculation Agent. For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Relevant Assets comprising the Asset Amount, the Delivery Date for the Relevant Assets not affected by the Settlement Disruption Event will be the originally designated Delivery Date. For so long as delivery of the Asset Amount is not practicable by reason of a Settlement Disruption Event, then

in lieu of physical settlement and notwithstanding any other provision hereof the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant N&C Security by payment to the relevant N&C Securityholder of the Disruption Cash Redemption Amount (as defined below) on the fifth (5th) Business Day following the date that notice of such election is given to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices). Payment of the Disruption Cash Redemption Amount will be made in such manner as shall be notified to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices). The Calculation Agent shall give notice as soon as practicable to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) that a Settlement Disruption Event has occurred. No N&C Securityholder shall be entitled to any payment in respect of the relevant N&C Security in the event of any delay in the delivery of the Asset Amount due to the occurrence of a Settlement Disruption Event and no liability in respect thereof shall attach to the Issuer.

(B) Definitions specific to Physical Delivery

"**Agency Agreement**" has the meaning given in the N&C Security Conditions.

"**Asset Amount**" has the meaning specified in the applicable Pricing Supplement.

"**Asset Transfer Notice**" shall mean the notice in the form set out in the Agency Agreement.

"**Equity Index/ETF Cut-Off Date**" has the meaning specified in the applicable Pricing Supplement.

"**Disruption Cash Redemption Amount**", in respect of any relevant N&C Security, shall be the Market Value of such N&C Security expressed in the Specified Currency (taking into account any relevant currency exchange rate and, where the Settlement Disruption Event affected some but not all of the Shares comprising the Asset Amount and such non affected Shares have been duly delivered as provided above, the value of such Shares), all as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner.

"**Settlement Business Day**" has the meaning specified in the applicable Pricing Supplement.

"**Settlement Disruption Event**" means, in the opinion of the Calculation Agent, an event beyond the control of the Issuer as a result of which the Issuer cannot make delivery of the Asset Amount(s) using the method specified in the applicable Pricing Supplement.

11. VARIATION OF SETTLEMENT

This Equity Index/ETF Linked Condition 11 will only apply to Exempt N&C Securities that relate to ETF Shares.

If the applicable Pricing Supplement indicates that the Issuer has the option to vary settlement in respect of the N&C Securities, the Issuer may acting in good faith and in a commercially reasonable manner in respect of each such N&C Security give notice pursuant to N&C Security Condition 14 (Notices) no later than the second (2) Business Day prior to the Maturity Date that the N&C Securities shall be (x) Cash Settled N&C Securities instead of Physical Delivery N&C Securities or (y) Physical Delivery N&C Securities instead of Cash Settled N&C Securities and in this case the provisions of Equity Index/ETF Linked Condition 1(b)(A) or (B) (Equity Index/ETF Linked Redemption N&C Securities) respectively shall apply.

INFLATION INDEX ANNEX

ADDITIONAL TERMS AND CONDITIONS FOR INFLATION INDEX LINKED SECURITIES

*The terms and conditions applicable to Inflation Index Linked Securities shall comprise (a) the General Terms and Conditions of the N&C Securities (the "**N&C Security Conditions**") and the additional Terms and Conditions set out below (the "**Inflation Index Linked Conditions**") or, as applicable, (b) the General Terms and Conditions of the Warrants (the "**Warrant Conditions**") and the Inflation Index Linked Conditions, in each case, together with the Terms and Conditions as set out in each other Annex which is specified as applicable in the applicable Issue Terms (together with, (i) in the case of N&C Securities, the N&C Security Conditions and the Inflation Index Linked Conditions, or (ii) in the case of Warrants, the Warrant Conditions and the Inflation Index Linked Conditions, as the case may be, the "**Conditions**") and, in each case subject to completion in the applicable Issue Terms. In the event of any inconsistency between the N&C Security Conditions or Warrant Conditions, as applicable, and the Inflation Index Linked Conditions, the Inflation Index Linked Conditions set out below shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions or Warrant Conditions, as applicable, and/or the Inflation Index Linked Conditions and (ii) the Issue Terms, the Issue Terms shall prevail. References in the Inflation Index Linked Conditions to "**Security**" and "**Securities**" shall be deemed to be references to "**N&C Security**" and "**N&C Securities**" or "**Warrant**" and "**Warrants**" as the context admits and references to "**Securityholder**" shall be deemed to be references to "**N&C Securityholder**" or "**Warrantholder**" as the context admits.*

References below to a numbered N&C Security Condition or Warrant Condition, as the case may be, are to such numbered section of the N&C Security Conditions or Warrant Conditions, as applicable, and references to a numbered Inflation Index Linked Condition are to such numbered section as set out in this Inflation Index Annex. Defined terms used in this Inflation Index Annex or the related section of the Issue Terms where the same term may be used in another Annex (e.g. Determination Date, Hedging Party, Final Valuation Date or Averaging Date) shall have the meanings given in this Inflation Index Annex or in the section of the Issue Terms relating to Inflation Index Linked N&C Securities notwithstanding the same terms being used in another Annex or section of the Issue Terms.

1. INFLATION INDEX LINKED N&C SECURITIES

This Inflation Index Linked Condition 1 will apply to N&C Securities only.

(a) **Inflation Index Linked Interest N&C Securities**

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions and subject to these Inflation Index Linked Conditions, each Inflation Index Linked Interest N&C Security will bear interest in the manner specified in the applicable Issue Terms and the Conditions.

(b) **Inflation Index Linked Redemption N&C Securities**

Unless previously redeemed or purchased and cancelled, each N&C Security will be redeemed by the Issuer by payment of the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Issue Terms and the Conditions on the Maturity Date (subject as provided below).

2. KEY DATES AND BASKETS

(a) **Key Dates**

The applicable Issue Terms may specify a number of key dates (each a "**Key Date**") in respect of which an Inflation Index valuation is to be made. For each Key Date the relevant Reference Month, Determination Date(s), Inflation Cut-Off Date and, where applicable, End Date will be specified. The Calculation Agent will apply the provision of these Inflation Index Linked Conditions separately in each case to make the relevant Inflation Index valuation in relation to each Key Date accordingly. Each such Inflation Index level determined will be deemed to be an Observation Level, as specified in the applicable Issue Terms.

(b) **Baskets**

The applicable Issue Terms may specify that the N&C Securities or Warrants, as applicable, relate to a single asset or a basket of assets. These Inflation Index Linked Conditions will apply to valuation and determinations in relation to each Inflation Index which forms the single asset or a constituent of the basket of assets referred to above.

3. INFLATION INDEX DELAY AND DISRUPTION PROVISIONS

(a) **Delay in Publication**

If the Calculation Agent determines that a Delayed Index Level Event in respect of an Inflation Index has occurred with respect to any Determination Date, then the Relevant Level for such Inflation Index with respect to the relevant Reference Month subject to such Delayed Index Level Event (the "**Substitute Index Level**") shall be determined by the Calculation Agent as follows:

(i) if "Related Bond" is specified as applicable for such Inflation Index in the relevant Issue Terms, the Calculation Agent shall determine the Substitute Index Level by reference to the corresponding index level determined under the terms and conditions of the relevant Related Bond; or

(ii) if (I) "Related Bond" is not specified as applicable for such Inflation Index in the relevant Issue Terms, or (II) the Calculation Agent is not able to determine a Substitute Index Level under (i) above, the Calculation Agent shall determine the Substitute Index Level by reference to the following formula:

$$\text{Substitute Index Level} = \text{Base Level} \times \left(\frac{\text{Latest Level}}{\text{Reference Level}}\right),$$

in each case as of such Determination Date,

where:

"**Base Level**" means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined.

"**Latest Level**" means, in respect of an Inflation Index, the latest level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor prior to the month in respect of which the Substitute Index Level is being determined.

"**Reference Level**" means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month in respect of the Latest Level.

The Issuer shall give notice to Securityholders, in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, of any Substitute Index Level calculated pursuant to this Inflation Index Linked Condition 3.

If the Relevant Level (as defined below) is published or announced at any time on or after the relevant Inflation Cut-off Date, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this Inflation Index Linked Condition 3 will be the definitive level for that Reference Month.

(b) **Cessation of Publication**

If the Calculation Agent determines that the level for the Inflation Index has not been published or announced for two (2) consecutive months, the Inflation Index Sponsor announces that it will no longer continue to publish or announce the Inflation Index or the Inflation Index Sponsor otherwise cancels the Inflation Index, then the

Calculation Agent shall determine a successor inflation index (the "**Successor Inflation Index**") (in lieu of any previously applicable Inflation Index) for the purposes of the Inflation Index Linked Securities by using the following methodology:

(i) if at any time (other than after an early cancellation event has been designated by the Calculation Agent pursuant to Inflation Index Linked Condition 3(b)(v) below), a successor inflation index has been designated by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, such successor inflation index shall be designated a "Successor Inflation Index" notwithstanding that any other Successor Inflation Index may previously have been determined under Inflation Index Linked Conditions 3(b)(ii), 3(b)(iii) or 3(b)(iv) below;

(ii) if a Successor Inflation Index has not been determined pursuant to Inflation Index Linked Condition 3(b)(i) above, and a notice has been given or an announcement has been made by the Inflation Index Sponsor, specifying that the Inflation Index will be superseded by a replacement Inflation Index specified by the Inflation Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, such replacement index shall be the Inflation Index for purposes of the Inflation Index Linked Securities from the date that such replacement Inflation Index comes into effect;

(iii) if a Successor Inflation Index has not been determined pursuant to Inflation Index Linked Conditions 3(b)(i) or 3(b)(ii) above, the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Inflation Index should be. If four or five responses are received and, of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the "Successor Inflation Index". If three responses are received and two or more leading independent dealers state the same index, this index will be deemed the "Successor Inflation Index". If fewer than three responses are received or no Successor Inflation Index is determined pursuant to this Inflation Index Linked Condition 3(b)(iii), the Calculation Agent will proceed to Inflation Index Linked Condition 3(b)(iv) below;

(iv) if no replacement index or Successor Inflation Index has been determined under Inflation Index Linked Conditions 3(b)(i), 3(b)(ii) or 3(b)(iii) above by the next occurring Inflation Cut-Off Date, the Calculation Agent, subject as provided below, will determine an appropriate alternative index from such Inflation Cut-Off Date, and such index will be deemed a "Successor Inflation Index"; or

(v) if the Calculation Agent determines that there is no appropriate alternative index in relation to Inflation Index Linked Securities, the Issuer acting in good faith and in a commercially reasonable manner discretion may either (1) require the Calculation Agent to determine acting in good faith and in a commercially reasonable manner the appropriate adjustment, if any, to be made to the terms of the Securities to account for this event or (2) on giving notice to Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, the Issuer shall redeem or cancel, as applicable all but not some only of the Inflation Index Linked Securities, each Inflation Index Linked Security being redeemed or cancelled, as applicable by payment of the relevant Early Redemption Amount, in the case of N&C Securities, or Early Cancellation Amount, in the case of Warrants. Payments will be made in such manner as shall be notified to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable.

(c) **Rebasing of the Inflation Index**

If the Calculation Agent determines that the Inflation Index has been or will be rebased at any time, the Inflation Index as so rebased (the "**Rebased Index**") will be used for purposes of determining the level of the Inflation Index from the date of such rebasing; provided, however, that the Calculation Agent shall make adjustments as are made by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, if "Related Bond" is specified as applicable in the applicable Issue Terms, to the levels of the Rebased Index so that

the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased, or, if "Related Bond" is not specified as applicable in the applicable Issue Terms, the Calculation Agent shall make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased.

(d) **Material Modification Prior to Last Occurring Inflation Cut-Off**

If, on or prior to the last occurring Inflation Cut-Off Date, the Inflation Index Sponsor announces that it will make a material change to the Inflation Index then the Calculation Agent shall make any such adjustments, if "Related Bond" is specified as applicable in the applicable Issue Terms, consistent with adjustments made to the Related Bond, or, if "Related Bond" is not specified as applicable in the applicable Issue Terms, only those adjustments to the Inflation Index necessary for the modified Inflation Index to continue as the Inflation Index.

(e) **Manifest Error in Publication**

To the extent that it has sufficient time and it is reasonable to do so prior to the relevant Maturity Date, in the case of N&C Securities, or Settlement Date, in the case of Warrants, if, within thirty (30) calendar days of publication, the Calculation Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Calculation Agent may, in its discretion, make such adjustments to the terms of the Inflation Index Linked Securities as it determines appropriate to account for the correction and will notify the Securityholders of any such adjustments in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable.

4. ADDITIONAL DISRUPTION EVENTS

"**Additional Disruption Event**" means any of Change in Law, Hedging Disruption and/or Increased Cost of Hedging in each case if specified as applying to Inflation Linked Securities in the applicable Issue Terms.

(a) If an Additional Disruption Event occurs, the Issuer acting in good faith and in a commercially reasonable manner may either:

(i) require the Calculation Agent to determine acting in good faith and in a commercially reasonable manner the appropriate adjustment, if any, to be made to any of the terms of the Securities to account for the Additional Disruption Event and determine the effective date of that adjustment;

(ii) in the case of N&C Securities, redeem the N&C Securities by giving notice to the Securityholders in accordance with N&C Security Condition 14 (Notices). If the N&C Securities are so redeemed the Issuer will pay each N&C Securityholder the Early Redemption Amount in respect of each N&C Security held by him. Payments will be made in such manner as will be notified to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices); or

(iii) in the case of Warrants, cancel the Warrants by giving notice to the Warrantholders in accordance with Warrant Condition 11 (Notices). If the Warrants are so cancelled the Issuer will pay each Warrantholder the Early Cancellation Amount in respect of each Warrant held by him determined taking into account the Additional Disruption Event. Payments will be made in such manner as will be notified to the Warrantholders in accordance with Warrant Condition 11 (Notices).

(b) Upon the occurrence of an Additional Disruption Event, the Issuer will give notice as soon as practicable to the Securityholders in accordance with N&C Security Condition 14 (Notices) (in the case of N&C Securities) or Warrant Condition 11 (Notices) (in the case of Warrants) stating the occurrence of the Additional Disruption Event (including giving details thereof) and the action proposed to be taken in relation thereto provided that any failure to give, or non-receipt of, such notice will not affect the validity of the Additional Disruption Event or the proposed action.

5. INFLATION INDEX DISCLAIMER

The Securities are not sponsored, endorsed, sold or promoted by the Inflation Index or the Inflation Index Sponsor and the Inflation Index Sponsor does not make any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Inflation Index and/or the levels at which the Inflation Index stands at any particular time on any particular date or otherwise. Neither the Inflation Index nor the Inflation Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Inflation Index and the Inflation Index Sponsor is under no obligation to advise any person of any error therein. The Inflation Index Sponsor is not making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Securities. Neither the Issuer nor the Guarantor shall have liability to the Securityholders for any act or failure to act by the Inflation Index Sponsor in connection with the calculation, adjustment or maintenance of the Inflation Index. Neither the Issuer nor the Guarantor nor their Affiliates has any affiliation with or control over the Inflation Index or the Inflation Index Sponsor or any control over the computation, composition or dissemination of the Inflation Index. Although the Calculation Agent will obtain information concerning the Inflation Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer, the Guarantor, their Affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Inflation Index.

6. DEFINITIONS

For the purpose of the Inflation Index Linked Securities:

"**Change in Law**" means that, on or after the Trade Date (as specified in the applicable Issue Terms):

(a) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or

(b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority),

the Calculation Agent determines acting in good faith and in a commercially reasonable manner that (i) it has become illegal for any Hedging Party to hold, acquire or dispose of any relevant hedging arrangements in respect of the Inflation Index, and/or (ii) any Hedging Party will incur a materially increased cost in performing its obligations in relation to the Securities (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer, any of its Affiliates or any other Hedging Party), or (iii) the performance of the Guarantor under the Guarantee has become unlawful.

"**Inflation Cut-Off Date**" means, in respect of a Determination Date, five (5) Business Days prior to any due date or scheduled date for payment under the Securities for which valuation on the relevant Determination Date is relevant, unless otherwise stated in the applicable Issue Terms.

"**Delayed Index Level Event**" means, in respect of any Determination Date and an Inflation Index, that the relevant Inflation Index Sponsor fails to publish or announce the level of such Inflation Index (the "**Relevant Level**") in respect of any Reference Month which is to be utilised in any calculation or determination to be made by the Issuer in respect of such Determination Date, at any time on or prior to the Inflation Cut-Off Date.

"**Determination Date**" means each date specified as such in the applicable Issue Terms.

"**End Date**" means each date specified as such in the applicable Issue Terms.

"**Fallback Bond**" means, in respect of an Inflation Index, a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the relevant Inflation Index relates and which pays a coupon or redemption amount which is calculated by reference to such Inflation Index, with a maturity date which falls on (a) the End Date specified in the applicable Issue Terms, (b) the next longest maturity after the End Date if there is no such bond maturing on the End Date, or (c) the next shortest maturity before the End Date if no bond defined in (a) or (b) is selected

by the Calculation Agent. If the relevant Inflation Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation-linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Issue Date and, if there is more than one inflation-linked bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds. If the Fallback Bond redeems, the Calculation Agent will select a new Fallback Bond on the same basis, but notwithstanding the immediately prior sentence, selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged).

"**Hedging Disruption**" means that any Hedging Party is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge any relevant price risk, including but not limited to currency risk, of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the Securities, or (b) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s), as determined by the Calculation Agent.

"**Hedging Party**" means, at any relevant time, the Issuer, or any of its Affiliates or any entity (or entities) providing the Issuer directly or indirectly with hedging arrangements in relation to the Securities as the Issuer may select at such time.

"**Increased Cost of Hedging**" means that any Hedging Party would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, inflation price risk, foreign exchange risk and interest rate risk) of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the Securities, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

"**Inflation Index**" means each inflation index specified in the applicable Issue Terms and related expressions shall be construed accordingly.

"**Inflation Index Sponsor**" means, in relation to an Inflation Index, the entity that publishes or announces (directly or through an agent) the level of such Inflation Index which, as of the Issue Date, is the Inflation Index Sponsor specified in the applicable Issue Terms.

"**Observation Level**" means any of the following levels, each as specified in the applicable Issue Terms: (a) the lowest level of the Inflation Index observed by the Calculation Agent on the Scheduled Observation Dates, (b) the highest level of the Inflation Index observed by the Calculation Agent on the Scheduled Observation Dates, or (c) the level of the Inflation Index observed by the Calculation Agent on the relevant Scheduled Observation Date as specified in the applicable Issue Terms.

"**Reference Month**" means the calendar month for which the level of the Inflation Index is reported as specified in the applicable Issue Terms, regardless of when this information is published or announced; except that if the period for which the Relevant Level was reported is a period other than a month, the Reference Month shall be the period for which the Relevant Level is reported.

"**Related Bond**" means, in respect of an Inflation Index, the bond specified as such in the applicable Issue Terms. If the Related Bond specified in the applicable Issue Terms is "Fallback Bond", then, for any Related Bond determination, the Calculation Agent shall use the Fallback Bond. If no bond is specified in the applicable Issue Terms as the Related Bond and "Fallback Bond: Not Applicable" is specified in the applicable Issue Terms, there will be no Related Bond. If a bond is specified as the Related Bond in the applicable Issue Terms and that bond redeems or matures before the End Date (i) unless "Fallback Bond: Not Applicable" is specified in the applicable Issue Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination and (ii) if "Fallback Bond: Not Applicable" is specified in the applicable Issue Terms, there will be no Related Bond.

"**Relevant Level**" has the meaning set out in the definition of "Delayed Index Level Event" above.

PROPERTY INDEX ANNEX

ADDITIONAL TERMS AND CONDITIONS FOR PROPERTY INDEX LINKED SECURITIES

*The terms and conditions applicable to Property Index Linked Securities shall comprise (a) the General Terms and Conditions of the N&C Securities (the "**N&C Security Conditions**") and the additional Terms and Conditions set out below (the "**Property Index Linked Conditions**") or (b) the General Terms and Conditions of the Warrants (the "**Warrant Conditions**") and the Property Index Linked Conditions, in each case, together with the Terms and Conditions as set out in each other Annex which is specified as applicable in the applicable Issue Terms (together with, (i) in the case of N&C Securities, the N&C Security Conditions and the Property Index Linked Conditions, or (ii) in the case of Warrants, the Warrant Conditions and the Property Index Linked Conditions, as the case may be, the "**Conditions**") and, in each case subject to completion in the applicable Issue Terms. In the event of any inconsistency between the N&C Security Conditions or Warrant Conditions, as applicable, and the Property Index Linked Conditions, the Property Index Linked Conditions set out below shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions or Warrant Conditions, as applicable, and/or the Property Index Linked Conditions and (ii) the Issue Terms, the Issue Terms shall prevail. References in the Property Index Linked Conditions to "**Security**" and "**Securities**" shall be deemed to be references to "**N&C Security**" and "**N&C Securities**" or "**Warrant**" and "**Warrants**" as the context admits and references to "**Securityholder**" shall be deemed to be references to "**N&C Securityholder**" or "**Warrantholder**" as the context admits.*

References below to a numbered N&C Security Condition or Warrant Condition, as the case may be, are to such numbered section of the N&C Security Conditions or Warrant Conditions, as applicable, and references to a numbered Property Index Linked Condition are to such numbered section as set out in this Property Index Annex. Defined terms used in this Property Index Annex or the related section of the Issue Terms where the same term may be used in another Annex (e.g. Index Level, Final Valuation Date or Averaging Date) will have the meanings given in this Property Index Annex or in the section of the Issue Terms relating to Property Index Linked Securities notwithstanding the same terms being used in another Annex or section of the Issue Terms.

1. PROPERTY INDEX LINKED N&C SECURITIES

This Property Index Linked Condition 1 will only apply to N&C Securities.

(a) **Property Index Linked Interest N&C Securities**

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions and subject to these Property Index Linked Conditions, each Property Index Linked Interest N&C Security will bear interest in the manner specified in the applicable Issue Terms and the Conditions.

(b) **Property Index Linked Redemption N&C Securities**

Unless previously redeemed or purchased and cancelled, each N&C Security will be redeemed by the Issuer by payment of the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Issue Terms and the Conditions on the Maturity Date (subject as provided below).

2. KEY DATES AND BASKETS

(a) **Key Dates**

The applicable Issue Terms may specify a number of key dates (each a "**Key Date**") in respect of which a Property Index valuation is to be made. For each Key Date the relevant Cure Period and, where applicable, Publication Date will be specified. The Calculation Agent will apply the provision of these Property Index Linked Conditions separately in each case to make the relevant Property Index valuation in relation to each Key Date accordingly. Each such Property Index level determined will be deemed to be an Observation Level as specified in the applicable Issue Terms.

(b) **Baskets**

The applicable Issue Terms may specify that the N&C Securities or Warrants, as applicable, relate to a single asset or a basket of assets. These Property Index Linked Conditions will apply to valuation and determinations in relation to each Property Index which forms the single asset or a constituent of the basket of assets referred to above.

3. PROPERTY INDEX DELAY AND DISRUPTION PROVISIONS

(a) **Rebasing of the Property Index**

If the Calculation Agent determines that a Property Index has been or will be Rebased at any time (the Property Index as so Rebased, the "**Rebased Index**"), the Rebased Index will be used for the purposes of determining the level of the Property Index from the date of such Rebasing, provided however that the Calculation Agent will adjust the terms of the Securities so that the use of the Rebased Index reflects what would have been the performance of the Property Index had the Rebasing not occurred save that any such Rebasing will not affect any prior payments or valuations (if any) under the Securities.

(b) **Error in Publication**

If the Calculation Agent determines that an Error in Publication has occurred with respect to the Property Index, the Calculation Agent may, to the extent that it has sufficient time and it is reasonable to do so, (a) use the corrected level of the Property Index to make any relevant calculations and/or (b) make any necessary adjustments to the relevant Index Level and such other terms of the Securities as it in good faith and in a commercially reasonable manner determines to be appropriate to account for such Error in Publication.

For these purposes:

An "**Error in Publication**" will occur if the Property Index Sponsor announces that an error has occurred with respect to the Index Level as published on any Publication Date; the Index Level for such Publication Date is corrected to remedy such error; and the correction is published by the Property Index Sponsor at any time prior to the Maturity Date, in the case of N&C Securities, or the Settlement Date, in the case of Warrants. An Error in Publication will not include a routine revision in the level of the Property Index in a regularly scheduled republication of the Property Index, such a scheduled republication not being relevant for the purposes of these Property Index Linked Conditions.

(c) **Delay in Publication**

If any relevant Index Level has not been announced by the second Business Day preceding the date on which any amount calculated in whole or in part by reference to such Index Level falls to be due and payable pursuant to the Securities (a "**Property Index Linked Payment Date**") then such amount will not be payable on such Property Index Linked Payment Date and the following will apply:

(i) if a Cure Period is specified as Applicable in the applicable Issue Terms, then:

(1) if the Property Index Sponsor publishes the relevant Index Level within the Cure Period, such Property Index Linked Payment Date will be deferred until the second Business Day following the date of publication of the relevant Index Level and all relevant amounts will be calculated by reference to such Index Level;

(2) if the Property Index Sponsor publishes a Provisional Index Level within the Cure Period, then such Property Index Linked Payment Date will be deferred until the second Business Day following the end of the Cure Period and (unless (i) above then applies) such Provisional Index Level of the Property Index will apply for the purposes of the Securities and all relevant amounts will be calculated by reference to such Provisional Index Level; or

(3) if the Property Index Sponsor fails to publish either the Index Level or a Provisional Index Level prior to the end of the Cure Period, a Delayed Publication Disruption Event will occur and Property Index Linked Condition 3(e) below will apply; or

(ii) if Cure Period is specified as Not Applicable in the applicable Issue Terms, then:

(1) if the Property Index Sponsor publishes a Provisional Index Level prior to the second Business Day preceding the Property Index Linked Payment Date, such Provisional Index Level will apply for the purposes of the Securities and all relevant amounts will be calculated by reference to such Provisional Index Level; or

(2) if the Property Index Sponsor fails to publish a Provisional Index Level prior to the second Business Day preceding the Property Index Linked Payment Date, a Delayed Publication Disruption Event will occur and Property Linked Condition 3(e) below will apply.

No additional interest will accrue as a result of a deferral of any Property Index Linked Payment Date.

The Calculation Agent will give notice to Securityholders as soon as practicable in accordance with N&C Security Condition 14 (Notices) (in the case of N&C Securities) or Warrant Condition 11 (Notices) (in the case of Warrants) of (i) a delay in publication pursuant to this Property Index Linked Condition 3(c) and (ii) any amounts that are payable to such Securityholders as a result of the delayed publication of the Index Level pursuant to Property Index Linked Condition 3(c)(i) or (ii) above.

For these purposes:

"**Cure Period**" means, in respect of any Property Index Linked Payment Date, the period, if any, specified as such in the applicable Issue Terms.

(d) **Methodology Adjustment and Index Discontinuance**

If the Property Index Sponsor announces that it has changed the methodology in calculating a Property Index and:

(a) nonetheless continues the publication of an index based on the original methodology (such Property Index, a "**Replacement Property Index**") such Replacement Property Index will apply in lieu of the original Property Index in relation to the Securities; or

(b) discontinues publication of the Property Index based on the original methodology (an "**Index Discontinuance**"), Property Index Linked Condition 3(e) below will apply.

(e) **Index Disruption Procedure**

Following the occurrence of an Index Disruption Event, the Issuer will, acting in good faith and in a commercially reasonable manner, determine whether or not the Securities will continue or be cancelled.

If the Issuer determines that the Securities will continue, the Calculation Agent may make such adjustment to the terms of the Securities which it considers, acting in good faith and in a commercially reasonable manner, to be appropriate in order to preserve for the Securityholders the economic value of the Securities. Without limitation this may include (i) selecting a replacement Property Index (such Property Index, a "**Replacement Property Index**") and, following the selection of such, determining the appropriate level for such Replacement Property Index and the date on which such Replacement Property Index will take effect in relation to the Securities or (ii) adjusting any method for determination or calculating payments under the Securities. If the Issuer determines that the Securities will be cancelled it will redeem (in the case of N&C Securities) or cancel (in the case of Warrants) the Securities by giving notice to the Securityholders in accordance with N&C Security Condition 14 (Notices) (in the case of N&C Securities) or Warrant Condition 11 (Notices) (in the case of Warrants). If the Securities are

so redeemed or cancelled, as the case may be, the Issuer will pay each Securityholder the Early Redemption Amount (in the case of N&C Securities) or the Early Cancellation Amount (in the case of Warrants) in respect of each Security held by such Securityholder. Payments will be made in such manner as will be notified to the Securityholders in accordance with N&C Security Condition 14 (Notices) (in the case of N&C Securities) or Warrant Condition 11 (Notices) (in the case of Warrants).

4. NOTICE

In the event that the provisions of Property Index Linked Conditions 3(a), 3(b), 3(c), 3(d) and/or 3(e) above apply in respect of the Securities, the Issuer will give notice to Securityholders as soon as practicable in accordance with N&C Security Condition 14 (Notices) (in the case of N&C Securities) or Warrant Condition 11 (Notices) (in the case of Warrants) of the occurrence of the relevant event and the action proposed in relation thereto.

5. ADDITIONAL DISRUPTION EVENT

"**Additional Disruption Event**" means any of Change in Law, Hedging Disruption and/or Increased Cost of Hedging, in each case if specified as applying to Property Linked Securities in the applicable Issue Terms.

(a) If an Additional Disruption Event occurs, the Issuer acting in good faith and in a commercially reasonable manner may either:

(i) require the Calculation Agent to determine acting in good faith and in a commercially reasonable manner the appropriate adjustment, if any, to be made to any of the terms of the Securities to account for the Additional Disruption Event and determine the effective date of that adjustment;

(ii) in the case of N&C Securities, redeem the N&C Securities by giving notice to the Securityholders in accordance with N&C Security Condition 14 (Notices). If the N&C Securities are so redeemed the Issuer will pay each N&C Securityholder the Early Redemption Amount in respect of each N&C Security held by him. Payments will be made in such manner as will be notified to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices); or

(iii) in the case of Warrants, cancel the Warrants by giving notice to the Warrantholders in accordance with Warrant Condition 11 (Notices). If the Warrants are so cancelled the Issuer will pay each Warrantholder the Early Cancellation Amount in respect of each Warrant held by him determined taking into account the Additional Disruption Event. Payments will be made in such manner as will be notified to the Warrantholders in accordance with Warrant Condition 11 (Notices).

(b) Upon the occurrence of an Additional Disruption Event, the Issuer will give notice as soon as practicable to the Securityholders in accordance with N&C Security Condition 14 (Notices) (in the case of N&C Securities) or Warrant Condition 11 (Notices) (in the case of Warrants) stating the occurrence of the Additional Disruption Event (including giving details thereof) and the action proposed to be taken in relation thereto provided that any failure to give, or non-receipt of, such notice will not affect the validity of the Additional Disruption Event or the proposed action.

6. INDEX DISCLAIMER

The Securities are not sponsored, endorsed, sold or promoted by any Property Index or any Property Index Sponsor and no Property Index Sponsor makes any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Property Index and/or the levels at which the Property Index stands at any particular time on any particular date or otherwise. No Property Index or Property Index Sponsor will be liable (whether in negligence or otherwise) to any person for any error in the Property Index and the Property Index Sponsor is under no obligation to advise any person of any error therein. No Property Index Sponsor is making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Securities. The Issuer (or, if applicable, the Guarantor) will have no liability to the Securityholders for any act or failure to act by the Property Index Sponsor in connection with the calculation, adjustment or maintenance of the Property Index. Neither the Issuer (or,

if applicable, the Guarantor) nor its Affiliates has any affiliation with or control over the Property Index or Property Index Sponsor or any control over the computation, composition or dissemination of the Property Index. Although the Calculation Agent will obtain information concerning any Property Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer (or, if applicable, the Guarantor), its Affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Property Index.

7. INTERPRETATION

The following expressions have the meanings set out below:

"**Change in Law**" means that, on or after the Trade Date (as specified in the applicable Issue Terms):

(A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or

(B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority),

the Calculation Agent determines acting in good faith and in a commercially reasonable manner that (i) it has become illegal for any Hedging Party to hold, acquire or dispose of any relevant hedging arrangements relating to a Property Index, and/or (ii) any Hedging Party will incur a materially increased cost in performing its obligations in relation to the Securities (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer, any of its Affiliates or any Hedging Party), or (iii) the performance of the Guarantor under the Guarantee has become unlawful;

"**Data Pool**" means the pool of properties underlying a Property Index;

"**Delayed Publication Disruption Event**" means either of the events described in Property Index Linked Condition 3(c)(i)(3) and 3(c)(ii)(2);

"**Hedging Disruption**" means that any Hedging Party is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge any relevant price risk, including but not limited to the currency risk, of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the Securities, or (B) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s), as determined by the Calculation Agent;

"**Hedging Party**" means, at any relevant time, the Issuer or any of its Affiliate(s) or any entity (or entities) providing the Issuer directly or indirectly with hedging arrangements in relation to the Securities as the Issuer may select at such time;

"**Increased Cost of Hedging**" means that any Hedging Party would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, property index price risk, foreign exchange risk and interest rate risk) of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the Securities, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates will not be deemed an Increased Cost of Hedging;

"**Index Disruption Event**" means any of the following events:

(a) a Delayed Publication Disruption Event; and/or

(b) an Index Discontinuance;

Property Index Annex

"**Index Level**" means, with respect to a period or a date, the final level of the relevant Property Index for such period or date, as the case may be, as published by the Property Index Sponsor;

"**Observation Level**" means any of the following levels, each as specified in the applicable Issue Terms:- (a) the lowest level of the Property Index observed by the Calculation Agent on the Scheduled Observation Dates, (b) the highest level of the Property Index observed by the Calculation Agent on the Scheduled Observation Dates or (c) the level of the Property Index observed by the Calculation Agent on the relevant Scheduled Observation Date as specified in the applicable Issue Terms.

"**Publication Date**" means, in respect of a Property Index, each date on which such Property Index is published by the Property Index Sponsor;

"**Property Index**" means (i) each index specified as such in the applicable Issue Terms, or (ii) any Replacement Property Index;

"**Property Index Sponsor**" means the entity that publishes the level of the relevant Property Index as specified in the applicable Issue Terms;

"**Provisional Index Level**" means, with respect to a period or a date, any provisional level of the relevant Property Index for such period or date, as the case may be, as published and howsoever defined by the Property Index Sponsor;

"**Rebasing**" means the revaluation of a Property Index by the Property Index Sponsor by the application of a new Reference Price, without amendment to the formula for or the method of calculating the Property Index, and "**Rebased**" will be construed accordingly;

"**Reference Price**" means the historic value of the Data Pool used by the Property Index Sponsor as the benchmark for a Property Index; and

"**Replacement Property Index**" means any Property Index determined as such pursuant to Property Index Linked Conditions 3(d) and 3(e) above.

APPLICABLE FINAL TERMS

FORM OF FINAL TERMS FOR NON EXEMPT N&C SECURITIES

Set out below is the form of Final Terms which will be completed for each Tranche of Non-Exempt N&C Securities issued under the Programme pursuant to this Base Prospectus.

PLEASE CAREFULLY READ THE RISK FACTORS IN THE BASE PROSPECTUS

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN FINANCIAL AND LEGAL ADVISORS ABOUT THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE N&C SECURITIES AND THE SUITABILITY OF AN INVESTMENT IN THE N&C SECURITIES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES

[*Date*]

Abbey National Treasury Services plc

Issue of *[Aggregate Nominal Amount/Number of Units of Tranche] [Title of N&C Securities]*
*(the "**N&C Securities**")*

Guaranteed by Santander UK plc

under the
Note, Certificate and Warrant Programme
(the "**Programme**")

Any person making or intending to make an offer of the N&C Securities may only do so[:

(i) in those Public Offer Jurisdictions mentioned in Paragraph 9.5 of Part B below, provided such person is of a kind specified in that paragraph and that the offer is made during the Offer Period specified in that paragraph; or

(ii) otherwise,][1] in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of N&C Securities in any other circumstances.

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.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions of the N&C Securities (the "**N&C Security Conditions**" and, together with the applicable Annex(es), the "**Conditions**") set forth in the Base Prospectus dated 28 January 2014 [and the supplement[s] to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"). This document constitutes the Final Terms of the N&C Securities described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the N&C Securities is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the websites of the Irish Stock Exchange (www.ise.ie), the Central Bank of Ireland (http://www.centralbank.ie) and the Issuer's website

[1] Delete where not applicable.

(http://www.aboutsantander.co.uk/investors/debt-investors/abbey-omnibus-programme/prospectus-documents.aspx). [The Base Prospectus is also available for viewing during normal business hours at the specified office of Citibank, N.A., London Branch acting as Principal Paying Agent and copies may be obtained from the registered office of the Issuer and the Guarantor.] In the event of any inconsistency between the Conditions and the Final Terms, these Final Terms prevail.[A summary of the N&C Securities (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms.][2]

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date or if Final Terms in respect of a public offer started under a Base Prospectus with an earlier date is being completed under the Base Prospectus:*

Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions of the N&C Securities (the "**N&C Security Conditions**" and, together with the applicable Annex(es) the "**Conditions**") set forth in the Base Prospectus dated [*original date*] which are incorporated by reference in the Base Prospectus dated [*current date*]. This document constitutes the Final Terms of the N&C Securities described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated [*current date*] [and the supplement[s] to it dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"), including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the N&C Securities is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the websites of the Irish Stock Exchange (www.ise.ie), the Central Bank of Ireland (http://www.centralbank.ie) and the Issuer (http://www.aboutsantander.co.uk/investors/debt-investors/abbey-omnibus-programme/prospectus-documents.aspx). [Copies of such Base Prospectus are also available for viewing during normal business hours at the registered office of the Issuer and the Guarantor.] A summary of the N&C Securities (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms.

[***Investors should note that the Base Prospectus dated 21 February 2013 related to the Programme has been superseded by the Base Prospectus. Any investor who, as of the date of these amended and restated Final Terms has indicated acceptance of the offer of N&C Securities to which these amended and restated Final Terms relates has the right, within [not less than] two working days of the date of publication of such amended and restated Final Terms, to withdraw such acceptance. This right to withdraw shall expire at [5.00 p.m.] on [insert date].***][3]]

[The N&C Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or under any state securities laws, and the N&C Securities may not be offered, sold, transferred, pledged, delivered, redeemed, directly or indirectly, at any time within the United States or to, or for the account or benefit of, or by, any U.S. person. Furthermore, the N&C Securities do not constitute, and have not been marketed as, contracts of sale of a commodity for future delivery (or options thereon) subject to the U.S. Commodity Exchange Act, as amended (the "**CEA**"), and trading in the N&C Securities has not been approved by the U.S. Commodity Futures Trading Commission (the "**CFTC**") pursuant to the CEA, and no U.S. person may at any time trade or maintain a position in the N&C Securities. For a description of the restrictions on offers and sales of N&C Securities, see "*Important Notice to Purchasers and Transferees of N&C Securities*" and "*Subscription and Sale*" in the Base Prospectus.

For the purposes of these Final Terms, "U.S. person" includes any "U.S. person" or person that is not a "non-United States person" as either such term may be defined in Regulation S or in regulations adopted under the CEA.][4]

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.*]

[*By investing in the N&C Securities each investor is deemed to represent that:*

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2 Include this wording if the minimum denomination is less than €100,000 (or its equivalent in another currency).

3 Only applicable for amended and restated Final Terms which are prepared as a consequence of the update of the Base Prospectus in respect of the Programme during the Offer Period of the N&C Securities.

4 Include for Permanently Restricted N&C Securities or N&C Securities that have been determined to be permanently prohibited from being offered, sold, resold, transferred, pledged or delivered in the United States or to a U.S. person.

(a) ***Non-Reliance***. *It is acting for its own account, and it has made its own independent decisions to invest in the N&C Securities and as to whether the investment in the N&C Securities is appropriate or proper for it based upon its own judgement and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer, the Guarantor or any Dealer as investment advice or as a recommendation to invest in the N&C Securities, it being understood that information and explanations related to the terms and conditions of the N&C Securities shall not be considered to be investment advice or a recommendation to invest in the N&C Securities. No communication (written or oral) received from the Issuer, the Guarantor or any Dealer shall be deemed to be an assurance or guarantee as to the expected results of the investment in the N&C Securities.*

(b) ***Assessment and Understanding***. *It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and conditions and the risks of the investment in the N&C Securities. It is also capable of assuming, and assumes, the risks of the investment in the N&C Securities.*

(c) ***Status of Parties***. *None of the Issuer, the Guarantor and any Dealer is acting as fiduciary for or adviser to it in respect of the investment in the N&C Securities.]*

1.	1.1	Issuer:	Abbey National Treasury Services plc
	1.2	Guarantor:	Santander UK plc
2.	2.1	Type of N&C Security:	[Note] / [Certificate]
	2.2	Series Number:	[ ]
	2.3	Tranche Number:	[ ]
	2.4	[Date on which the N&C Securities will be consolidated and form a single Series:	The N&C Securities will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Bearer Global N&C Security for interests in the Permanent Bearer Global N&C Security, as referred to in paragraph 33 below, which is expected to occur on or about [*insert date*]][Not Applicable]]
	2.5	Trading Method:	[Nominal] / [Unit]
	2.6	Applicable Annex(es):	[Not Applicable] / [Payout] / [Equity] / [Equity Index/ETF] / [Inflation Index] / [Property Index] (*N.B. more than one Annex may apply*)
3.	Specified Currency:		[ ]
4.	[Aggregate Nominal Amount] / [Aggregate Issue Size]:		
	4.1	Series:	[ ][5]
	4.2	Tranche:	[ ][6]
	[4.3	Nominal Amount per Unit:	For calculation purposes only, each Unit shall be deemed to have a nominal amount of [ ].

5 For N&C Securities issued by Unit, "Aggregate Issue Size" should be specified and expressed as a number of Units.

6 For N&C Securities issued by Unit, "Aggregate Issue Size" should be specified and expressed as a number of Units.

(*Each N&C Security must have a minimum Nominal Amount per Unit of €1,000 (or, if the N&C Securities are denominated in a currency other than euro, the equivalent in such currency. If N&C Securities are not traded by unit, delete this item*)][7]

5.	[5.1]	[Issue Price] / [Unit Issue Price] for Tranche:[8]	[[ ] per cent. of the Aggregate Nominal Amount] / [[ ] [*Insert currency*] per Unit (the "**Issue Price**")] [plus accrued interest from and including [*insert date*] to but excluding the Issue Date (which is equal to [ ] days' accrued interest) (*in the case of fungible issues, if applicable*)] [The aggregate Offer Prices (as specified in paragraph 10.1 of Part B to these Final Terms) received by the Initial Authorised Offeror in respect of the N&C Securities which shall be payable by the Dealer to the Issuer prior to the Issue Date] The Issue Price specified [in/at [paragraph [ ]]/above] may be more than the market value of the N&C Securities as at the Issue Date, and the price, if any, at which the Dealer or any other person is willing to purchase the N&C Securities in secondary market transactions is likely to be lower than the Issue Price. In particular, the Issue Price may take into account amounts with respect to fees relating to the issue and sale of the N&C Securities as well as amounts relating to the hedging of the Issuer's obligations under the N&C Securities and secondary market prices may exclude such amounts. To the extent permitted by applicable law, if any fees relating to the issue and sale of the N&C Securities have been paid or are payable by the Dealer to an intermediary (which may or may not have acted as an Authorised Offeror) (an "**Intermediary**"), then such Intermediary may be obliged to fully disclose to its clients the existence, nature and amount of any such fees (including, if applicable, by way of discount) as required in accordance with laws and regulations applicable to such Intermediary, including any legislation, regulation and/or rule implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC), or as otherwise may apply in any non-EEA jurisdictions. Investors in the N&C Securities intending to invest in N&C Securities through an Intermediary (including by way of introducing broker) should request details of any such fee payment from such Intermediary before making any purchase thereof.
	[5.2	Unit Value on Issue:	[[*Insert currency*] per Unit] **Investors should note that the value of a Unit in the secondary market or on redemption may be less than the Unit Value on Issue**

7 For N&C Securities issued by Unit only.

8 Note that for N&C Securities issued by nominal amount the "Issue Price" is the gross amount received by the Issuer in respect of the N&C Securities being issued and should not be confused with "Offer Price" which may be a different amount depending upon the context in which the expression is used (for example, see Part B paragraph 10).

(*If N&C Securities are not traded by unit, delete this item*)]

[5.3 Aggregate Proceeds Amount: [ ]

(*If N&C Securities are not traded by unit, delete this item*)][9]

6. [6.1 Specified Denominations: [ ]

(*N.B. The minimum denomination of each N&C Security will be €1,000 (or, if the N&C Securities are denominated in a currency other than euro, the equivalent in such currency)*)

[*Where Bearer N&C Securities and multiple denominations above €50,000 or its equivalent in another currency are being used, the following sample wording should be followed:*

[[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No N&C Securities in definitive form will be issued with a denomination exceeding [€99,000].][10]

[[*Where Bearer N&C Securities and multiple denominations above €100,000 or its equivalent in another currency are being used, the following sample wording should be followed*:

[[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No N&C Securities in definitive form will be issued with a denomination exceeding [€199,000].][11]]
(*If N&C Securities are not traded by nominal amount, delete this item*)

[6.2 Minimum Tradable Size: [[€100,000][12] [[ ] Units and in multiples of [ ] Unit[s] (the "**Multiple Tradeable Size**") in excess thereof.][13]]

6.3 Calculation Amount per N&C Security: [ ]

(*If only one Specified Denomination, insert the Specified Denomination.*

If more than one Specified Denomination, insert the highest common factor. N.B. There must be a common factor in the case of two or more Specified Denominations.

Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in practical difficulties for paying agents and/or ICSDs who should be consulted if such an amount is proposed.)

7. 7.1 Issue Date: [*specify date*]

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9 The Aggregate Proceeds Amount should be an amount equal to the Aggregate Issue Size multiplied by the Unit Issue Price.

10 Not Applicable in the case of Definitive Registered N&C Securities.

11 Insert for N&C Securities issued by nominal amount only.

12 Insert for N&C Securities issued by nominal amount only.

13 Insert for N&C Securities issued by Unit only.

	7.2 Interest Commencement Date (if different from the Issue Date):	[*specify date*] [Not Applicable] (*NB: An Interest Commencement Date will not be relevant for certain type of N&C Securities such as a Zero Coupon N&C Security*)
8.	Type of N&C Security:	[Fixed Rate N&C Security] [Floating Rate N&C Security] [Zero Coupon N&C Security] [Partial Redemption N&C Security] [Cross-Asset Linked N&C Security: (*specify each relevant Type as follows*)] [Equity Linked N&C Security] [Equity Index/ETF Linked N&C Security] [Inflation Index Linked N&C Security] [Property Index Linked N&C Security] (*Specify all N&C Security types which apply*)
9.	Maturity Date:	[*For Fixed Rate N&C Security insert:* [*specify date*]] [*For Floating Rate N&C Security insert:* [The Interest Payment Date falling in or nearest to [*specify month and year/specify other*]]] [*For Zero Coupon N&C Security insert:* [*specify maturity date*]] [*For non-interest bearing N&C Security insert:* [*specify maturity date*]] [*For Equity Linked N&C Securities (including if they are also Partial Redemption N&C Securities), if applicable insert:* [[ ] (the "**Scheduled Maturity Date**"), subject to the provisions of the Equity Annex and these Final Terms]] [*For Equity Index/ETF Linked N&C Securities (including if they are also Partial Redemption N&C Securities), if applicable, insert:* [[ ] (the "**Scheduled Maturity Date**"), subject to the provisions of the Equity Index/ETF Annex and these Final Terms]] [*For Inflation Index Linked N&C Securities, if applicable, insert:* [[ ] (the "**Scheduled Maturity Date**"), subject to the provisions of the Inflation Index Annex and these Final Terms]] [*For Property Index Linked N&C Securities, if applicable, insert:* [[ ] (the "**Scheduled Maturity Date**"), subject to the provisions of the Property Index Annex and these Final Terms]]
10.	Interest Basis:	[[ ] per cent. Fixed Rate N&C Security] [[Bank of England Base Rate/LIBOR/EURIBOR/[*Specify relevant ISDA Rate*]]+/-[ ] per cent. Floating Rate N&C Security]

			[Zero Coupon N&C Security] [Variable Interest Rate N&C Security] [non-interest bearing N&C Security] [Partial Redemption N&C Security *(NB. a Partial Redemption N&C Security may also be a Variable Interest Rate N&C Security)*]
11.	Redemption / Payment Basis:		[Subject to any purchase and cancellation or early redemption, each N&C Security of a nominal amount equal to the Calculation Amount will be redeemed on the Maturity Date at [ ] per cent. of their Calculation Amount] [Variable Redemption N&C Security] [Partial Redemption N&C Security] (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value or Unit Value on Issue the N&C Securities may be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
12.	Change of Interest Basis:		[Applicable] / [Not Applicable] [*Specify the date when any fixed to floating rate change occurs or cross-refer to paragraphs 15 and 16 below and identify there*]
13.	Put/Call Options:		[Not Applicable] / [Investor Put] / [Issuer Call] [(further particulars specified below)]
14.	14.1	Status of N&C Securities:	Senior
	14.2	Status of Guarantee:	Senior

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	**Fixed Rate N&C Security Provisions**		[Applicable] / [Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	15.1	Rate(s) of Interest/determination of interest:	[ ] per cent. [per annum] payable in arrear on each Interest Payment Date *(or, if applicable, insert relevant provisions from the Payout Annex: i.e. Payout Condition 2.1(a), the relevant Interest Payment Option from Payout Condition 2.2 and/or related definitions from Payout Condition 5.)*
	15.2	Interest Payment Date[s]:	[[ ] in each year from (and including) [ ] and up to (and including) the Maturity Date] / [*specify other*] (*N.B. to provide for adjustment of the Interest Periods by reference to which interest is calculated, please specify the appropriate Business Day Convention in paragraph 15.7 below. For "unadjusted" interest calculation the Business Day Convention should be specified as "Not Applicable". Where Interest Payment Dates are required to adjust for payment*

		purposes only (i.e. to roll to an appropriate Payment Day without affecting the length of the relevant Interest Period used for interest calculations) this can be achieved by specifying the appropriate Payment Day Convention in paragraph 35 below) (*NB: This will need to be amended in the case of irregular coupons*)
15.3	Fixed Coupon Amount(s): (Applicable to N&C Securities in definitive form)	[[ ] per Calculation Amount] / [Not Applicable]
15.4	Broken Amount(s): (Applicable to N&C Securities in definitive form)	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] / [Not Applicable]
15.5	Day Count Fraction:	[Actual/Actual (ICMA)]/[Act/Act (ICMA)] [Actual/Actual (ISDA)]/[Actual/Actual]/[Act/Act]/ [Act/Act (ISDA)] [Actual/365 (Fixed)]/[Act/365 (Fixed)]/[A/365 (Fixed)]/[A/365F] [Actual/365(Sterling)] [Actual/360]/[Act/360]/[A/360] [30/360 (ICMA)] [30/360]/[360/360]/[Bond Basis] [30E/360]/[Eurobond Basis] [30E/360 (ISDA)] [unadjusted/adjusted] [Not Applicable] (*N.B. If interest is not payable on a regular basis (for example, if there are Broken Amounts specified), Actual/Actual (ICMA) may not be a suitable Day Count Fraction*) (*N.B. Actual/Actual (ICMA) is normally only appropriate for Fixed Rate N&C Securities denominated in euros*)
15.6	Determination Date(s):	[[ ] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA*). *In which case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*
15.7	Business Day Convention:	[Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention] / [Not Applicable]
15.8	Additional Business Centre(s):	[ ]/[Not Applicable]
16.	**Floating Rate N&C Security Provisions**	[Applicable] / [Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

16.1	Specified Period(s)/Specified Interest Payment Dates:	[[ ] in each year from (and including) [ ] up to (and including) [the Maturity Date][*specify date*]]/[*specify other*] (*N.B. to provide for adjustment of the Interest Periods by reference to which interest is calculated, please specify the appropriate Business Day Convention in paragraph 16.2 below. For "unadjusted" interest calculation the Business Day Convention should be specified as "Not Applicable". Where Interest Payment Dates are required to adjust for payment purposes only (i.e. to roll to an appropriate Payment Day without affecting the length of the relevant Interest Period used for interest calculations) this can be achieved by specifying the appropriate Payment Day Convention in paragraph 35 below*)
16.2	Business Day Convention:	[Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / [Not Applicable]]
16.3	Additional Business Centre(s):	[ ]/[Not Applicable]
16.4	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination / ISDA Determination / Bank of England Base Rate Determination] (further particulars specified below) *(or, if applicable, insert relevant provisions from the Payout Annex: i.e. Payout Condition 2.1(b), the relevant Interest Payment Option from Payout Condition 2.2 and/or related definitions from Payout Condition 5.)*
16.5	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent) (*Note: Should always be the Calculation Agent if Bank of England Base Rate Determination applies)*:	[The Calculation Agent: See paragraph 38 below] / [*specify other*] [*Address*]
16.6	Screen Rate Determination:	[Applicable] / [Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(a) Reference Rate:	[ ] month LIBOR / EURIBOR
	(b) Interest Determination Date:	[ ] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)
	(c) Relevant Screen Page:	[ ]

(*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend fallback provisions appropriately*)

(d) Rate Multiplier: [Not Applicable] / [[●] per cent.]

16.7 ISDA Determination: [Applicable] / [Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(a) Floating Rate Option: [ ]

(b) Designated Maturity: [ ]

(c) Reset Date: [ ]

(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)

(d) Rate Multiplier [Not Applicable] / [[●] per cent.]

16.8 Bank of England Base Rate Determination: [Applicable] / [Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(a) Designated Maturity: [Daily] [ ]

(b) Interest Determination Date: [ ]

(c) Relevant Screen Page: [Reuters UKBASE] [ ]

(d) Rate Multiplier: [Not Applicable] / [[●] per cent.]

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

16.10 Minimum Rate of Interest: [ ] per cent. per annum

16.11 Maximum Rate of Interest: [ ] per cent. per annum

16.12 Day Count Fraction: [Actual/Actual (ISDA)]/[Actual/Actual]/[Act/Act]/[Act/Act (ISDA)]
[Actual/Actual (ICMA)]/[Act/Act (ICMA)]
[Actual/365 (Fixed)]/[Act/365(Fixed)]/[A/365 (Fixed)]/[A/365F]
[Actual/365 (Sterling)]
[Actual/360]/[Act/360]/[A/360]
[30/360][360/360]/[Bond Basis]
[30/360 (ICMA)]
[30E/360]/[Eurobond Basis]
[30E/360 (ISDA)]
[unadjusted/adjusted]
[Not Applicable]
[(NB: Actual/Actual (ICMA) is normally only appropriate for

Fixed Rate N&C Securities denominated in euros)]

16.13	Determination Date(s):	[[ ] in each year]/[Not Applicable] [*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In which case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*]
17.	**Zero Coupon N&C Security Provisions**	[Applicable] / [Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
17.1	Accrual Yield:	[ ] per cent. per annum
17.2	Reference Price:	[ ] [per cent. of the Calculation Amount]
17.3	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] / [Actual/360] / [Actual/365]
18.	**Other Variable Interest Rate N&C Security Provisions**	[Applicable] / [Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
18.1	Type of Variable Interest Rate N&C Securities:	*(Insert relevant provisions from the Payout Annex: i.e. Payout Condition 2.1(c), the relevant Interest Payment Option from Payout Condition 2.2 and/or related definitions from Payout Condition 5.)*
18.2	Specified Period(s) / Specified Interest Payment Dates:	[[ ] in each year from (and including) [ ] and up to (and including) the Maturity Date] / [*specify other*]
18.3	Business Day Convention:	[Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention]
18.4	Additional Business Centre(s):	[ ] / [Not Applicable]
18.5	Minimum Rate of Interest:	[[ ] per cent. per annum][Not Applicable]
18.6	Maximum Rate of Interest:	[[ ] per cent. per annum][Not Applicable]
18.7	Day Count Fraction:	[Actual/Actual (ISDA)]/[Actual/Actual]/[Act/Act]/[Act/Act (ISDA)] [Actual/Actual (ICMA)]/[Act/Act (ICMA)] [Actual/365 (Fixed)]/[Act/365 (Fixed)]/[A/365 (Fixed)]/[A/365F] [Actual/365 (Sterling)] [Actual/360]/[Act/360]/[A/360] [30/360 (ICMA)] [30/360][360/360]/[Bond Basis] [30E/360]/[Eurobond Basis] [30E/360 (ISDA)]

			[adjusted / unadjusted] [Not Applicable] [*(NB: Actual/Actual (ICMA) is normally only appropriate for Fixed Rate N&C Securities denominated in euros)*]
	18.8	Determination Date(s):	[[ ] in each year]/[Not Applicable] [*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In which case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*]
19.	**Interest provisions in respect of Partial Redemption N&C Securities:**		[Applicable][Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	19.1	Partial Rate(s) of Interest:	[ ] per cent. [per annum] payable in arrear on each Partial Interest Payment Date
	19.2	Partial Interest Payment Date[s]:	[[ ] in each year from (and including) [ ] and up to (and including) the Partial Redemption Date] / [*specify other*] (*N.B. to provide for adjustment of the Interest Periods by reference to which interest is calculated, please specify the appropriate Business Day Convention in paragraph 19.7below. For "unadjusted" interest calculation the Business Day Convention should be specified as "Not Applicable". Where Partial Interest Payment Dates are required to adjust for payment purposes only (i.e. to roll to an appropriate Payment Day without affecting the length of the relevant Partial Interest Period used for interest calculations) this can be achieved by specifying the appropriate Payment Day Convention in paragraph 35 below*) (*NB: This will need to be amended in the case of irregular coupons*)
	19.3	Partial Fixed Coupon Amount(s): (Applicable to N&C Securities in definitive form)	[[ ] per Calculation Amount] / [Not Applicable]
	19.4	Partial Broken Amount(s): (Applicable to N&C Securities in definitive form)	[ ] per Calculation Amount, payable on the Partial Interest Payment Date falling [in/on] [ ] / [Not Applicable]
	19.5	Day Count Fraction:	[Actual/Actual (ICMA)]/[Act/Act (ICMA)] [Actual/Actual (ISDA)]/[Actual/Actual]/[Act/Act]/ [Act/Act (ISDA)] [Actual/365 (Fixed)]/[Act/365 (Fixed)]/[A/365 (Fixed)]/[A/365F] [Actual/365(Sterling)] [Actual/360]/[Act/360]/[A/360] [30/360 (ICMA)]

[30/360]/[360/360]/[Bond Basis]
[30E/360]/[Eurobond Basis]
[30E/360 (ISDA)]
[unadjusted/adjusted]
[Not Applicable]

(*N.B. If interest is not payable on a regular basis (for example, if there are Partial Broken Amounts specified), Actual/Actual (ICMA) may not be a suitable Day Count Fraction*)

(*N.B. Actual/Actual (ICMA) is normally only appropriate for Partial Redemption N&C Securities denominated in euros*)

19.6 Determination Date(s): [[ ] in each year][Not Applicable]

(*Only relevant where Day Count Fraction is Actual/Actual (ICMA*). *In which case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*

19.7 Business Day Convention: [Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention] / [Not Applicable]

19.8 Additional Business Centre(s): [ ]/[Not Applicable]

PROVISIONS RELATING TO REDEMPTION

20. Issuer Call [Applicable] / [Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

20.1 Optional Redemption Date(s): [ ]

20.2 Optional Redemption Amount: [[ ] per cent. per Calculation Amount]/[*specify other fixed amount*]

20.3 If redeemable in part:

(a) Minimum Redemption Amount: [ ]

(b) Maximum Redemption Amount: [ ]

20.4 Notice periods for Issuer Call: [ ]

(a) Maximum period: [●] days

(b) Minimum period: [●] days

[*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example as between the Issuer and the Principal*

Paying Agent/Registrar]

21. Notice periods for Issuer Illegality Call, Issuer Regulatory Call and Issuer Tax Call

21.1 Maximum period: [●] days

21.2 Minimum period: [●] days

[N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example as between the Issuer and the Principal Paying Agent/Registrar]

22. Investor Put: [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

22.1 Optional Redemption Date(s): [ ]

22.2 Optional Redemption Amount: [[ ] per cent. per Calculation Amount] / [*specify other fixed amount*]

22.3 Notice periods for Investor Put:

(a) Maximum period: [●] days

(b) Minimum period: [●] days

[N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example as between the Issuer and the Principal Paying Agent]

23. Final Redemption Amount: [[ ] [per Calculation Amount] / [Not Applicable]]

(or, if applicable, insert relevant provisions from the Payout Annex: i.e. Payout Condition 4.1(a), the relevant Final Payment Option from Payout Condition 4.2 and/or related definitions from Payout Condition 5.)

(*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value or Unit Value on Issue the N&C Securities will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply*.)

24. Early Redemption Amount payable on redemption for illegality (N&C Security Condition 7.4 (Redemption [Market Value] [[●] per [Calculation Amount][Unit]]

(*NB. To be specified per Calculation Amount or per unit, as*

	for illegality)), Regulatory Redemption Event (N&C Security Condition 7.5 (Regulatory Redemption Event)), redemption for tax reasons (N&C Security Condition 7.6 (Redemption for tax reasons)), on an Event of Default (N&C Security Condition 10 (Events of Default)) or in any other circumstances specified in the N&C Security Conditions and/or the relevant Annex:	*applicable*)
25.	Automatic Early Redemption Event(s):	[Applicable] / [Not Applicable] *(If applicable, insert relevant provisions from the Payout Annex: i.e. Payout Condition 3.1 and related definitions from Payout Condition 5 and set out relevant Automatic Early Redemption Date(s) (i.e. set out next to each relevant Scheduled Observation Date and, if applicable, Autocallable Amount(s)) in table format.)*
26.	**Key Dates relating to Variable Interest Rate N&C Securities and/or Variable Redemption N&C Securities**	
	(a) Trade Date:	[ ]
	(b) Valuation Date(s):	[ ] / [Not Applicable]
	(c) Initial Valuation Date:	[ ] / [Not Applicable]
	(d) Scheduled Observation Date(s):	[ ] / [Not Applicable]
	(e) Calculation Date(s):	[ ] / [Not Applicable]
	(f) Observation Period:	[ ] / [Not Applicable]
	(g) Averaging Dates:	[Averaging [applies / does not apply] to the N&C Securities.] [The Averaging Dates are [ ].] [In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]
	(h) Final Valuation Date:	[ ] / [Not Applicable]
	(i) Specified Maximum Days of Disruption:	[See [Equity Linked Condition 10 (*for Equity Linked N&C Securities*)] / [Equity Index/ETF Linked Condition 9] (*for Equity Index/ETF N&C Securities*)]] / [[*Specify number*] Scheduled Trading Days] / [Not Applicable]
27.	**Additional provisions relating to Equity Linked N&C Securities**	[Applicable] / [Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
27.1	Whether the N&C Securities relate to a single share or a basket containing one or	[Single Share] / [Basket containing one or more Shares]

more shares (each a "**Share**"):

27.2	Share(s) and Share Company(ies):	(a)	[Name of Share]
		(b)	[*Name of Share Company/Basket Company*]
		(c)	Bloomberg Screen: [ ]
		(d)	ISIN Code: [ ]
			(In case of more than one Share repeat the prompts set out in items 27.2 – 27.7 inclusive and include the relevant information. In this case before such items set out the title: ***Information in relation to [name of Share]****)*)
27.3	Depositary Receipts provisions:		[Applicable] / [Not Applicable] *(If Not Applicable, delete the remaining sub-paragraph of this paragraph)*
	(a)	Details of Depositary Receipt:	[*specify name and ISIN code*]
	(b)	Underlying Shares:	[*specify the shares underlying the depositary receipts*]
	(c)	Underlying Share issuer:	[*specify name of the underlying issuer*]
	(d)	Share Exchange:	[*specify - exchange for underlying share*]
27.4	Exchange(s):		The relevant Exchange[s] [is/are] [ ]
27.5	Settlement Price:		[Opening Price] / [Intraday Price] / [Observation Level] / [Closing Price] (*NB:- If Observation Level is elected please specify one of (a) the [lowest] [highest] Closing Price observed by the Calculation Agent on the Scheduled Observation Dates or (b) the price of the Shares observed by the Calculation Agent in accordance with the definition of Settlement Price at or about the Relevant Time on the [Initial Valuation Date] [Scheduled Observation Date]*).
27.6	Related Exchange:		[*specify*] / [All Exchanges]
27.7	Relevant Time:		[Scheduled Opening Time] [Scheduled Closing Time]/[The relevant time is [ ], being a time specified on a [Valuation Date/Averaging Date/Scheduled Observation Date], as the case may be, for the calculation of the Settlement Price.]
27.8	Exchange Business Day:		[Exchange Business Day (Single Share Basis)] / [Exchange Business Day (All Shares Basis)] / [Exchange Business Day (Per Share Basis)] / [Exchange Business Day (Cross Asset Basis) *(note only to be specified for Cross-Asset Linked N&C Securities which relate only to Equities and Equity Indices/ETFs)*]
27.9	Scheduled Trading Day:		[Scheduled Trading Day (Single Share Basis)] / [Scheduled Trading Day (All Shares Basis)] / [Scheduled Trading Day (Per

Share Basis)] [Scheduled Trading Day (Cross Asset Basis) *(note only to be specified for Cross-Asset Linked N&C Securities which relate only to Equities and Equity Indices/ETFs)*]

27.10 Further provisions relating to Extraordinary Events:

(a) Tender Offer: [Applicable] / [Not Applicable]

(b) Share Substitution: [Applicable] / [Not Applicable]

(c) De-Merger: [Applicable/Not Applicable]

(d) Participation Event: [Applicable/Not Applicable]

(e) Illiquidity: [Applicable/Not Applicable]

27.11 Additional Disruption Events: [Applicable]/[Not Applicable] (*if not applicable, delete remaining parts of this item 27.11)*

(a) Elected Events Only: [Applicable] / [Not Applicable]

(b) [The following Additional Disruption Events apply to the N&C Securities: [Analagous Event] [Change in Law] [Currency Event] [Failure to Deliver] [Force Majeure Event] [Hedging Disruption] [Increased Cost of Hedging] [Increased Cost of Stock Borrow] [Insolvency Filing] [Jurisdiction Event] [Loss of Stock Borrow] [Termination or Adjustment Event (if applicable)]]

(NB: *delete this item (b) if "Elected Events Only" is specified as Not Applicable*)

(c) [The Maximum Stock Loan Rate in respect of [*specify in relation to each relevant Share*] is [ ]]

(NB: *only applicable if Loss of Stock Borrow is required*)

(d) [The Initial Stock Loan Rate in respect of [*specify in relation to each relevant Share*] is [ ].]

(NB: *only applicable if Increased Cost of Stock Borrow is required*)

28. Additional provisions relating to Equity Index/ETF Linked N&C Securities [Applicable] / [Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

28.1 Whether the N&C Securities relate to single index or ETF or a basket containing one or more indices or ETFS and the identity of each relevant Index/ETF: [Single index] / [Basket containing one or more indices] / [Single ETF] / [Basket containing one or more ETFs]

28.2	Equity Index:	[Applicable] / [Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) (a) [*Name of Index/Basket Index*] (b) The relevant Index Sponsor is [*Name of Index Sponsor*] (c) Bloomberg Screen: [ ] *(In case of more than one Index repeat the prompts set out in items 28.2 – 28.7 inclusive below and include the relevant information in a tabular format.)*
28.3	Exchange Traded Fund:	[Applicable] / [Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)* (a) [*Name of ETF/Basket ETF*] (b) The ETF Issuer is [*Name of ETF Issuer*] (c) ETF Bloomberg Screen: [ ] (d) ISIN Code: [ ] (e) The Related Index is [*Name of Related Index*] (f) Related Index Bloomberg Screen: [ ] (g) Related Index ISIN Code: [ ] (*In case of more than one ETF repeat the prompts set out in items 28.3 – 28.7 inclusive below and include the relevant information in a tabular format.*)
28.4	Index / ETF Level:	[Opening Level] / [Intraday Level] / [Observation Level] / [Closing Level] *(NB:- If Observation Level is selected please specify one of (a) the [lowest] [highest] Closing Level observed by the Calculation Agent on the Scheduled Observation Dates or (b) the level of the [Index] [ETF] observed by the Calculation Agent in accordance with the definition of Index/ETF Level at or about the Relevant Time on the [Initial Valuation Date] [Scheduled Observation Date]).*
28.5	Exchange(s)	[The relevant Exchange[s] [is/are] [ ]]
28.6	Related Exchange:	[*specify*] / [All Exchanges]
28.7	Relevant Time:	[Scheduled Closing Time] / [The relevant time is [ ], being the time specified on the [Valuation Date/Averaging

Date/Scheduled Observation Date] for the calculation of the Index/ETF Level.]

28.8 Exchange Business Day: [Exchange Business Day (Single Index Basis)] / [Exchange Business Day (All Indices Basis)] / [Exchange Business Day (Per Index Basis)]/[Exchange Business Day (Cross Asset Basis) *(Note: final option only to be specified for Cross-Asset Linked N&C Securities which relate only to Equities and Equity Indices/ETFs)*]

28.9 Scheduled Trading Day: [Scheduled Trading Day (Single Index Basis)] / [Scheduled Trading Day (All Indices Basis)] / [Scheduled Trading Day (Per Index Basis)] [Scheduled Trading Day (Cross Asset Basis) *(Note: final option only to be specified for Cross-Asset Linked N&C Securities which relate only to Equities and Equity Indices/ETFs)*]

28.10 Additional Disruption Events: [Applicable]/[Not Applicable: the provisions of Equity Index/ETF Linked Condition 7 do not apply] (*if Not Applicable, delete the remaining parts of this item 28.10)*

(a) Elected Events Only: [Applicable] / [Not Applicable] [*where the N&C Securities are linked to an ETF or basket of ETFs, include the following language:* provided that "Additional Disruption Event" will be deemed to include Merger Event, Tender Offer, Insolvency, Nationalisation and De-Listing]

(b) [The following Additional Disruption Events apply to the N&C Securities: [Change in Law] [Hedging Disruption] [Increased Cost of Hedging] [Increased Cost of Stock Borrow] [Loss of Stock Borrow] [Merger Event] [Tender Offer] [Insolvency] [Nationalisation] [De-listing][ETF Event]]

(NB: *delete this item (b)) if "Elected Events Only" is specified as Not Applicable*)

(c) [The Maximum Stock Loan Rate in respect of [*specify in relation to each relevant Component Security*] is [ ]]

(NB: *only applicable if Loss of Stock Borrow is applicable*)

(d) [The Initial Stock Loan Rate in respect of [*specify in relation to each relevant Component Security*] is [ ].]

(*NB: only applicable if Increased Cost of Stock Borrow is applicable*)

29. Additional provisions relating to Inflation Index Linked N&C Securities [Applicable] / [Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

29.1	Inflation Index/Inflation Indices:	[ ] (*Give or details of index/indices. In case of more than one Inflation Index, repeat the prompts set out in items 29.1 –29.7 inclusive below and include the relevant information. In this case immediately before such items set out the title:* ***Information in relation to [name of Inflation Index]****)*
29.2	Inflation Index Sponsor(s):	[ ]
29.3	Reference source(s):	[ ]
29.4	Related Bond:	[Applicable] / [Not Applicable] The Related Bond is: [ ] [Fallback Bond] The issuer of the Related Bond is: [ ]
29.5	Fallback Bond:	[Applicable] / [Not Applicable]
29.6	Observation Level:	[Applicable / Not Applicable] (*NB:- If applicable please specify one of (a) the [lowest] [highest] level of the Inflation Index observed by the Calculation Agent in accordance with the Inflation Index Linked Conditions in respect of the Scheduled Observation Dates or (b) the level of the Inflation Index observed by the Calculation Agent in accordance with the Inflation Index Linked Conditions in respect of the [Initial Valuation Date] [Scheduled Observation Date*].)
29.7	Inflation Index Dates in relation to [*name of Key Date*]:	*(In case of more than one Key Date, repeat the prompts set out in items 29.7(a) – 29.7(d) inclusive below (if different for each Key Date) and include the relevant information in a tabular format.)*
	(a) Reference Month:	[ ]
	(b) Determination Date(s):	[ ] (*Note this may be the relevant Key Date*)
	(c) Inflation Cut-Off Date:	[ ] [As defined in the Inflation Index Linked Conditions]
	(d) End Date:	[ ] [Maturity Date] (*This is necessary whenever Fallback Bond is Applicable*)
29.8	Additional Disruption Events:	[The following Additional Disruption Events apply to the N&C Securities: [Change in Law][,/and] [Hedging Disruption][,/and] [Increased Cost of Hedging]]/[Not Applicable: the provisions of Inflation Index Linked Condition 4 do not apply]
30.	**Additional provisions relating to Property Index Linked N&C Securities**	[Applicable] / [Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph. If applicable, insert provisions here*)

30.1	Property Index:	[ ] (*Give details of index / indices. In case of more than one Property Index, repeat the prompts set out in items 30.1 – 30.4 inclusive below and include the relevant information. In this case immediately before such items set out the title* ***Information in relation to [name of Property Index]***)
30.2	Property Index Sponsor	[ ]
30.3	Property Index Dates in relation to [*Name of Key Date*]:	(*In case of more than one Key Date, repeat the prompts set out in items 30.3(a) - 30.3(b) inclusive below (if different for each Key Date) and include the relevant information in a tabular format.*)
	(a) Publication Date(s):	[ ][As defined in the Property Index Linked Conditions] (*Note this may be the relevant Key Date*)
	(b) Cure Period:	[Applicable: [ ] (*If applicable, Cure Period to be specified*)] / [Not Applicable]
30.4	Observation Level:	[Applicable / Not Applicable] [*If applicable, please specify one of (a) the [lowest] [highest] level of the Property Index observed by the Calculation Agent in accordance with the Property Index Linked Conditions in respect of the Scheduled Observation Dates or (b) the level of the Property Index observed by the Calculation Agent in accordance with the Property Index Linked Conditions in respect of the [Initial Valuation Date] [Scheduled Observation Date]*.]
30.5	Additional Disruption Events:	[The following Additional Disruption Events apply to the N&C Securities: [Change in Law][,/and][Hedging Disruption][, /and][Increased Cost of Hedging]/[Not Applicable: the provisions of Property Index Linked Condition 5 do not apply]]
31.	**Additional provisions relating to Fixed Income Benchmark N&C Securities**	[Applicable] / [Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph)*
31.1	Additional Business Centre(s):	[ ] / [Not Applicable]
31.2	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination / ISDA Determination / Bank of England Base Rate Determination] (further particulars specified below)
31.3	Screen Rate Determination:	[Applicable] / [Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(a) Interest Determination Date(s): [ ]

(b) Reference Rate: [ ] month LIBOR / EURIBOR

(c) Relevant Screen Page: [ ]

(*In the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate or amend fallback provisions appropriately)*

31.4 ISDA Determination: [Applicable] / [Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(a) Reset Date(s): [ ]

(b) Floating Rate Option: [ ]

(c) Designated Maturity: [ ]

31.5 Bank of England Base Rate Determination: [Applicable] / [Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(a) Designated Maturity: [Daily] [ ]

(b) Relevant Screen Page: [Reuters UKBASE] [ ]

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

31.7 Minimum Rate of Interest: [ ] per cent. per annum

31.8 Maximum Rate of Interest: [ ] per cent. per annum

32. Redemption provisions relating to Partial Redemption N&C Securities: [Applicable] [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

32.1 Partial Redemption Amount: [*insert amount*] per N&C Security (*NB. Should equal Partial Redemption Nominal Percentage multiplied by Calculation Amount*)

32.2 Partial Redemption Date: [*specify date*]

32.3 Partial Redemption Nominal Percentage: [*specify percentage*] (*NB. together, Partial Redemption Nominal Percentage plus Outstanding Partial Redemption Nominal Percentage should equal 100%. This part represents the fixed interest part*)

32.4	Outstanding Partial Redemption Nominal Percentage:	[*specify percentage*] *(NB. This part represents the variable interest part)*

GENERAL PROVISIONS APPLICABLE TO THE N&C SECURITIES

33. Form of N&C Securities:

33.1	Form:	[Bearer N&C Securities: [Temporary Bearer Global N&C Security exchangeable for a Permanent Bearer Global N&C Security which is exchangeable for definitive Bearer N&C Securities [on 60 days' notice given at any time/only upon an Exchange Event]]. [Temporary Bearer Global N&C Security exchangeable for Definitive Bearer N&C Securities on and after the Exchange Date.] [Permanent Bearer Global N&C Security exchangeable for Definitive Bearer N&C Securities [on 60 days' notice given at any time/only upon an Exchange Event]]. *(Ensure that this is consistent with the wording in the "Form of the N&C Securities" section in the Base Prospectus and the N&C Securities themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the N&C Securities in paragraph 6 includes language substantially to the following effect: "[€50,000]/[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]/[€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of N&C Securities which is to be represented on issue by a Temporary Bearer Global N&C Security exchangeable for Definitive N&C Securities.:* *"[€50,000]/[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]/[€199,000]. No N&C Securities in definitive form will be issued with a denomination above [€99,000]/[€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of N&C Securities which is to be represented on issue by a Temporary Bearer Global N&C Security exchangeable for Definitive N&C Securities.)* *(N&C Securities that are determined by reason of the CEA to be permanently prohibited from being offered, sold, resold, transferred, pledged or delivered in the*

United States or to, or for the benefit of, U.S. persons may only be issued in bearer form.)

[Immobilised Bearer N&C Securities:

[Permanently Restricted Global N&C Security held by the Book-Entry Depositary and CDIs registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg]]

(Permanently Restricted Global N&C Security to be used for securities which are to be represented by CREST Depository Interests)

[CREST Depository Instruments:

CREST Depository Interests ("**CREST Depository Interests**") representing the N&C Securities may also be issued in accordance with the usual procedures of Euroclear UK & Ireland Limited ("**CREST**").]

	33.2 New Global Note:	[Yes] / [No]
34.	Additional Financial Centre(s):	London / [*give details*]
35.	Payment Day Convention:	[Following] / [Modified Following] / [Preceding] (*NB: If no Payment Day Convention is specified, "Following" will apply*)
36.	Talons for future Coupons to be attached to Definitive Bearer N&C Securities:	[Yes as the N&C Securities have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made] / [No]
37.	Rounding Convention:	[Rounded up] / [Rounded down] / [Not Applicable]
38.	Calculation Agent:	[Abbey National Treasury Services plc 2 Triton Square Regent's Place London NW1 3AN United Kingdom] [*specify other, including address*]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [[*Relevant third party information, for example, in compliance with Annex XII to the Prospectus Directive Regulation in relation to each Reference Item (as defined in the N&C Security Conditions) [or its components*]] has been extracted from [*specify source*]. The Issuer and the Guarantor each confirm that such information has been accurately reproduced and that, so far as they are aware and is/are able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer and the Guarantor:

By: .....

Duly authorised

PART B – OTHER INFORMATION

[When completing this Part B prompts marked:

* *should be deleted if minimum denomination is less than €100,000 (or its equivalent in the relevant currency as at the date of issue).*

** *should be deleted if minimum denomination is €100,000 or more (or its equivalent in the relevant currency as at the date of issue).*

*** *should be deleted if minimum denomination is €100,000 or more (or its equivalent in the relevant currency as at the date of issue) and if the securities are not Derivative Securities.*

**** *should be deleted if the securities are Derivative Securities.]*

1. LISTING AND ADMISSION TO TRADING

1.1	Listing and admission to trading:	[Application [has been][is expected to be] made by the Issuer (or on its behalf) for the N&C Securities to be admitted to trading on the London Stock Exchange's Regulated Market and to be listed the Official List of the UK Listing Authority with effect on or about [●] [the Issue Date].] [Application [has been][is expected to be] made by the Issuer (or on its behalf) for the N&C Securities to be admitted to the Official List of the Irish Stock Exchange and trading on its regulated market with effect from [●] [the Issue Date].] [The Securities will not be listed on a regulated market but application [has been] [is expected to be] made by the Issuer (or on its behalf) for the N&C Securities to be included to trading on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange (Börse Frankfurt Zertifikate AG) with effect on or about [●] [the Issue Date].] [*Specify any other listing, if applicable*] (*Where documenting a fungible issue, indication must be given that the original N&C Securities are already admitted to trading*).*** [Not Applicable]
1.2	Estimate of total expenses related to admission to trading:*/****	[ ]

2. RATINGS

2.1	Ratings:	[None. Please note that as at the Issue Date it is not intended that this specific Series of N&C Securities will be rated.] [The N&C Securities to be issued [have been]/[are expected to be] rated [*insert rating*] by [*insert the legal name of the relevant credit rating agency entity(ies)*].]/[The following ratings reflect

ratings assigned to N&C Securities of this type issued under the Programme generally.]

[Include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(The above disclosure should reflect the rating specifically allocated to N&C Securities by the relevant credit rating agency).

(*In respect of each agency providing a rating, disclosure must be included as to the status of that agency with regards Regulation (EC) No. 1060/2009 (as amended) on credit rating agencies. This status should be confirmed with the relevant agency(ies) at the time of issuance. Once confirmed, select and complete the appropriate pro forma wording below. N.B. S&P, Moody's and Fitch have a number of group entities which may issue ratings. It will be important to confirm with the credit rating agency on a case by case basis precisely which entity is issuing (and/or endorsing) the rating and to ensure that this is accurately reflected*)

[[[Moody's Investors Service Ltd] / [*Specify other*]] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). [As such [[Moody's Investors Service Ltd] / [*Specify other*]] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[*Insert the legal name of relevant non-EU credit rating agency entity*] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [*Insert the legal name of relevant non-EU credit rating agency entity*] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

[[*Insert legal name of relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The ratings have been endorsed by [*insert the legal name of the relevant EU-registered credit rating agency entity*] in accordance with CRA Regulation. [*Insert the legal name of the relevant EU-registered credit rating agency entity*] is established in the European Union and registered under the CRA Regulation. [As such [*insert the legal name of the relevant EU-registered credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.] The European Securities Markets Authority has indicated that ratings issued in [Japan/Australia/the USA/Canada/Hong Kong/Singapore/ Argentina/Mexico (*delete as appropriate*)] which have been

endorsed by [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*] may be used in the EU by the relevant market participants.]

[[*Insert legal name of relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"), but it [[is]/[has applied to be]] certified in accordance with the CRA Regulation[[[EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [[OR:] although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant non-EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

[[[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority [and [*insert the legal name of the relevant credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*][, although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority and [*insert the legal name of the relevant EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].] The European Securities Markets Authority has indicated that ratings issued in [Japan/Australia/the USA/Canada/Hong Kong/Singapore/ Argentina/Mexico (*delete as appropriate*)] which have been endorsed by [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*] may be used in the EU by the relevant market participants.]][14]]

[14] Repeat for each credit rating.

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

[Save for any fees payable to the Dealer [and any Authorised Offeror[s]], so far as the Issuer is aware, no person involved in the issue of the N&C Securities has an interest material to the offer. (*Amend as appropriate if there are other interests*)]

[*(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*]

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

4.1	Reasons for the offer:	[General corporate purposes] (*See "Use of Proceeds" wording in Base Prospectus - if reasons for offer differ from general corporate purposes and/or making profit and/or hedging certain risks, you will need to include those reasons here.*)
4.2	Estimated net proceeds:	[ ] (*If proceeds are intended for more than one use you will need to split out and present in order of priority. If proceeds are insufficient to fund all proposed uses state amount and sources of other funding.*)
4.3	Estimated total expenses:	[ ] [Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses".] (*If the N&C Securities are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at 4.2 and 4.3 above where disclosure is included at 4.1 above.*)

5. YIELD - *Fixed Rate N&C Securities Only*****

Indication of yield:	[ ] [Calculated as [*include specific details of method of calculation in summary form*] on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. HISTORIC RATES OF INTEREST - *Floating Rate N&C Securities Only***

Details of historic [LIBOR/EURIBOR/Bank of England Base Rate/[*specify other*]] rates can be obtained from [Reuters and/or Bloomberg].

7. PERFORMANCE OF REFERENCE ITEM / FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT [AND OTHER INFORMATION CONCERNING [REFERENCE ITEM] [THE FORMULA]] – *Variable Interest Rate N&C Securities And Variable Redemption N&C Securities**

[If there is a derivative component in the interest or the N&C Securities are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, an example of how the value of the investment is affected by the value of the underlying may be included.]

- [*Need to include details of where past and future performance and volatility of the Reference Item can be obtained*].

- [*Where the underlying is an index, include the name of [the/each] index and details of where information about [the/each] index can be obtained.*]

- [*Where the underlying is a basket of underlyings, include details of the relevant weighting of each underlying in the basket.*]

[*(When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

8. OPERATIONAL INFORMATION

8.1	ISIN Code:	[ ]
8.2	Common Code:	[ ]
8.3	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*] [The N&C Securities will also be eligible for CREST via the issue of CREST Depository Interests representing the N&C Securities]
8.4	Delivery:	Delivery [against/free of] payment
8.5	Names and addresses of additional Paying Agent(s) (if any):	[ ] / [Not Applicable]
8.6	Deemed delivery of clearing system notice for the purposes of N&C Security Condition 14 (*Notices*):	Any notice delivered to Securityholders through the clearing system will be deemed to have been given on the [second][business] day after the day on which it was given to [Euroclear] [and/,] [Clearstream, Luxembourg] [and/,] [*specify other*].
8.7	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the N&C Securities are intended upon issue to be deposited with [one of the international central securities depositories ("**ICSDs**") as common safekeeper][*specify other*] and does not necessarily mean that the N&C Securities 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

the ECB being satisfied that Eurosystem eligibility criteria have been met.]

(If "Yes" is selected and the N&C Securities are deposited with an ICSD, the N&C Securities must be issued in NGN form.)

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosytem eligibility criteria be amended in the future such that the N&C Securities are capable of meeting them the N&C Securities may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the N&C Securities will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

8.8 Governing law: English

9. DISTRIBUTION

9.1 Method of distribution: [Syndicated/Non-syndicated]

9.2 (i) If syndicated, names [and addresses]*** of Managers [and underwriting commitments]***: [Not Applicable] / [*give names [and addresses]**** *of each entity acting as underwriter [and its respective underwriting commitments*]***]

(*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.*)***

(ii) Date of Subscription Agreement***: [ ]

(iii) Stabilising Manager(s) (if any): [Not Applicable] / [*give name*]

9.3 If non-syndicated, name [and address]*** of relevant Dealer: [Not Applicable] / [*give name* [*and address*]***]

[In connection with the issue of any Tranche of N&C Securities, the relevant Dealer (if any) named as the stabilising manager (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms or Base Prospectus (as the case may be) (the "**Stabilising Manager**") may over-allot N&C Securities (provided that, in the case of any Tranche of N&C Securities to be admitted to trading on the London Stock Exchange's regulated market and/or any other regulated market (within the meaning of FSMA) in the European Economic Area, the aggregate nominal amount of N&C Securities allotted does not exceed 105.00 per cent. of the aggregate nominal amount of the Tranche of N&C Securities) or effect transactions with a view to supporting the market price of the N&C Securities at a level higher than that which might otherwise prevail. However, there is no assurance

that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Tranche of N&C Securities 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 Tranche of N&C Securities and 60 days after the date of the allotment of the Tranche of N&C Securities.]

9.4 U.S. Selling Restrictions: [The N&C Securities are only for offer and sale outside the United States in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act and may not be offered, sold, transferred, pledged, delivered, redeemed, directly or indirectly, at any time within the United States or to, or for the account or benefit of, or by, any U.S. person.

Each initial purchaser of the N&C Securities and each subsequent purchaser or transferee of the N&C Securities shall be deemed to have agreed with the Issuer or the seller of such Securities that (i) it will not at any time offer, sell, resell or deliver, directly or indirectly, such Securities so purchased in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person and (ii) it is not purchasing any Securities for the account or benefit of any U.S. person.]

[*include the preceding two paragraphs for issuance of Bearer Securities pursuant to Regulation S*]

[Reg. S Compliance Category 2; TEFRA D / TEFRA C / TEFRA not applicable] *(NB. N&C Securities which will be represented by CREST Depository Interests to be TEFRA C)*

9.5 Non-exempt Offer:** [Not Applicable] / [An offer of the N&C Securities may be made by any Dealer [and [*specify names of other financial intermediaries/placers receiving specific consent*] (the "**Initial Authorised Offeror[s]**") [and any additional financial intermediaries who have or obtain the Issuer's consent to use the Base Prospectus in connection with the Non-exempt Offer and who are identified on the Issuer's website at [http://www.aboutsantander.co.uk/investors/debt-investors/abbey-omnibus-programme/authorised-offeror.aspx] as an Authorised Offeror] (together, being persons to whom the Issuer has given consent, the "**Authorised Offeror[s]**") other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s) where the Issuer intends to make the Non-exempt Offer which must be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)*] (the "**Public Offer Jurisdictions**") during the period from [*Insert, for example, one business day after satisfaction of all regulatory requirements of such Member State(s)*] until [*specify date or a formula such as "the Issue Date" or "the date which*

		falls [●] Business Days thereafter"] (the "**Offer Period**"). Copies of these Final Terms will be provided to the competent authorities in the Public Offer Jurisdictions. See further Paragraph 10 of this Part B. (*Consider walk-away rights if extending Offer Period beyond the Issue Date*)
(i)	General Consent:	[Applicable]/[Not Applicable]
(ii)	Other conditions to consent:	[Not Applicable][*Add here any other conditions to which the consent given is subject*] (*N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the Base Prospectus (and any supplement) has been notified / passported.*)

10. TERMS AND CONDITIONS OF THE OFFER**

[Applicable] / [Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)* [The N&C Securities will be offered to the public in each Public Offer Jurisdictions in accordance with the arrangements listed below.]

10.1	Offer Price:	[Not Applicable][See 10.11 below] / [*give details*]
10.2	[Conditions to which the offer is subject:]	[Not Applicable] / [*give details*] [Offers of the N&C Securities are conditional on their issue and are subject to such conditions as are set out in the [Distribution Agreement]. As between Dealers and their customers (including Authorised Offerors) or between Authorised Offerors and their customers, offers of the N&C Securities are further subject to such conditions as may be agreed between them and/or as is specified in any arrangements in place between them.]
10.3	Offer Period:	[See paragraph 9.5 above] [*give details*]
10.4	[Description of the application process]:	[Not Applicable] / [*give details*]
10.5	[Details of the minimum and/or maximum amount of application]:	[Not Applicable] / [*give details*]
10.6	[Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants]:	[Not Applicable] / [*give details*]
10.7	[Details of the method and time limits for paying up and delivering the N&C Securities:]	[Not Applicable] / [*give details*] [*NB: Under normal circumstances, on the Issue Date, allocated N&C Securities will be made available to the Dealer(s) / Authorised Offerors in such account as may be held by them*

		directly or indirectly at Euroclear or Clearstream. Luxembourg.]
10.8	[Manner in and date on which results of the offer are to be made public:]	[Not Applicable] / [*give details*] [*If applicable (i) specify date on which the final size of the issue will be made public and (ii) insert specific details in respect of the method of publication (including, where relevant, details of any advertisements to be published).*]
10.9	[Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:]	[Not Applicable] / [*give details*]
10.10	[Whether tranche(s) have been reserved for certain countries:]	[Not Applicable] / [*give details*]
10.11	Indication of the expected price at which the N&C Securities will be offered or the method of determining the price and the process for its disclosure:	[Not Applicable] [The Issuer has offered and will sell the N&C Securities to the Dealer(s) (and no one else) at the Issue Price [less a total commission of [up to] [ ] [per cent.] [of the Issue Price]]. The Dealer(s) and Authorised Offerors will offer and sell the N&C Securities to their customers in accordance with the arrangements in place between each such Dealer and its customers (including the Authorised Offerors) or each such Authorised Offeror and its customers by reference to the Issue Price and the market conditions prevailing at the time.] [*Other*]
10.12	[Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:]	[Not Applicable] / [*give details*] [Prospective Securityholders will be notified by the relevant Dealer(s) and Authorised Offeror in accordance with the arrangements in place between such Dealer(s) or Authorised Offeror and its customers. Any dealings in the N&C Securities, which take place will be at the risk of the prospective Securityholders.]
10.13	[Amount of any expenses and taxes specifically charged to the subscriber or purchaser:]	[Not Applicable] / [*give details*]
10.14	[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 are identified in 9.5 above.] [*give details*]

[The Issuer is only offering to and selling to the Dealer(s) pursuant to and in accordance with the terms of the [Distribution Agreement] [Programme Agreement][15]. All sales to persons other than the Dealer(s) will be made by the Dealer(s) or persons to whom they sell, and/or otherwise make arrangements with, including the Authorised Offerors. The Issuer shall not be liable for any offers, sales or purchases of N&C Securities to persons (other than in respect of offers and sales to, and purchases of, N&C Securities by the Dealer(s) and only then pursuant to the [Distribution Agreement] [Programme Agreement], which are made by the Dealer(s)

15 Delete as applicable depending on whether syndicated trade or not.

or Authorised Offerors in accordance with the arrangements in place between any such Dealer or any such Authorised Offeror and its customers.]

[[Each [of] the Dealer(s) has acknowledged and agreed, and any Authorised Offeror will be required by the Dealer(s) to acknowledge and agree, that for the purpose of offer(s) of the N&C Securities, the Issuer has passported the Base Prospectus in each of the Public Offer Jurisdictions and will not passport the Base Prospectus into any other European Economic Area Member State; accordingly, the N&C Securities may only be publicly offered in Public Offer Jurisdictions or offered to Qualified Investors (as defined in the Prospectus Directive) in any other European Economic Area Member States and that all offers of N&C Securities by it will be made only in accordance with the selling restrictions set forth in the Base Prospectus and the provisions of these Final Terms and in compliance with all applicable laws and regulations.]]

SUMMARY OF THE N&C SECURITIES

[*Insert completed summary for the N&C Securities, unless minimum denomination is equal to or greater than EUR 100,000 (or its equivalent in another currency)*]

FORM OF FINAL TERMS FOR NON-EXEMPT WARRANTS

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Non-Exempt Warrants issued under the Programme pursuant to this Base Prospectus.

PLEASE CAREFULLY READ THE RISK FACTORS IN THE BASE PROSPECTUS

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN FINANCIAL AND LEGAL ADVISORS ABOUT THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE WARRANTS AND THE SUITABILITY OF AN INVESTMENT IN THE WARRANTS IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES

[*Date*]

Abbey National Treasury Services plc

Issue of *[Aggregate Number of Tranche] [Title of Warrants]*
*(the "**Warrants**")*

Guaranteed by Santander UK plc

under the Note, Certificate and Warrant Programme
(the "**Programme**")

Any person making or intending to make an offer of the Warrants may only do so[:

(i) in those Public Offer Jurisdictions mentioned in Paragraph 7.4 of Part B below, provided such person is of a kind specified in that paragraph and that the offer is made during the Offer Period specified in that paragraph; or

(ii) otherwise][16] in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

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

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.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions of the Warrants together with the applicable Annex(es) (the "**Conditions**") set forth in the Base Prospectus dated 28 January 2014 [and the supplement[s] to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Warrants described herein for the purposes of Article 5.4 of the Prospectus Directive (the "**Base Prospectus**") and must be read in conjunction with the Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Warrants is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the websites of the Irish Stock Exchange (www.ise.ie), the Central Bank of Ireland (www.centralbank.ie) and the Issuer (http://www.aboutsantander.co.uk/investors/debt-investors/abbey-omnibus-programme/prospectus-documents.aspx). [The Base Prospectus is also available for viewing during normal business hours at the

16 Delete where not applicable.

specified office of [Citibank, N.A., London Branch] acting as Principal Warrant Agent and copies may be obtained from the registered office of the Issuer and the Guarantor]. In the event of any inconsistency between the Conditions and the Final Terms, these Final Terms prevail.

[A summary of the Warrants (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms.][17]

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date or if Final Terms in respect of a public offer started under a Base Prospectus with an earlier date is being completed under the Base Prospectus:*

Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions (the "**Warrant Conditions**") and, together with the applicable Annex(es) (the "**Conditions**") set forth in the Prospectus dated [*original date*] which are incorporated by reference in the Base Prospectus dated [*current date*]. This document constitutes the Final Terms of the Warrants described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated [*current date*] [and the supplement[s] to it dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**", including the Conditions incorporated by reference in the Base Prospectus). Full information on the Issuer, the Guarantor and the offer of the Warrants is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the websites of the Irish Stock Exchange (www.ise.ie), the Central Bank of Ireland (www.centralbank.ie) and the Issuer (http://www.aboutsantander.co.uk/investors/debt-investors/abbey-omnibus-programme/prospectus-documents.aspx). [Copies of such Base Prospectus are also available for viewing during normal business hours at the specified office of the [Citibank, N.A., London Branch] acting as Principal Warrant Agent and copies may be obtained from the registered office of the Issuer and the Guarantor.] In the event of any inconsistency between the Conditions and the Final Terms, these Final Terms prevail.

A summary of the Warrants (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms.

[***Investors should note that the Base Prospectus dated 21 February 2013 related to the Programme has been superseded by the Base Prospectus. Any investor who, as of the date of these amended and restated Final Terms has indicated acceptance of the offer of Warrants to which these amended and restated Final Terms relates has the right, within [not less than] two working days of the date of publication of such amended and restated Final Terms, to withdraw such acceptance. This right to withdraw shall expire at [5.00 p.m.] on [insert date].***][18]]

The Warrants have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or under any state securities laws, and the Warrants may not be offered, sold, transferred, pledged, delivered, redeemed, directly or indirectly, at any time within the United States or to, or for the account or benefit of, or by, any U.S. person (as defined herein). Furthermore, the Warrants do not constitute, and have not been marketed as, contracts of sale of a commodity for future delivery (or options thereon) subject to the U.S. Commodity Exchange Act, as amended (the "**CEA**"), and trading in the Warrants has not been approved by the U.S. Commodity Futures Trading Commission (the "**CFTC**") pursuant to the CEA, and no U.S. person may at any time trade or maintain a position in the Warrants. For a description of the restrictions on offers and sales of Warrants, see "*Important Notice to Purchasers and Transferees of Warrants*" and "*Subscription and Sale*" in the Base Prospectus.

The exercise of the Warrants will be conditional upon the holder (and any person on whose behalf the holder is acting) being a non-U.S. Person.

For the purposes hereof, "U.S. person" means (i) an individual who is a citizen or resident of the United States; (ii) a corporation, partnership or other entity treated as a corporation or partnership for United States federal income tax purposes, created or organised in or under the laws of the United States, any State thereof or the District of Columbia, or which has its principal place of business in the United States; (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust (or any trust which elected

17 Include this wording where the Issue Price is less than EUR100,000 (or its equivalent in another currency).

18 Only applicable for amended and restated Final Terms which are prepared as a consequence of the update of the Base Prospectus in respect of the Programme during the Offer Period of the Warrants.

to be treated as a United States person prior to 20 August 1996); (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; (vi) any entity organised principally for passive investment, 10 per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the CFTC's regulations by virtue of its participants being non-U.S. persons; or (vii) any other "U.S. person" or person that is not a "non-United States person" as either such term may be defined in Regulation S under the Securities Act or in regulations adopted under the CEA.

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.*]

[*By investing in the Warrants each investors is deemed to represent that:*

(a) ***Non-Reliance****. It is acting for its own account, and it has made its own independent decisions to invest in the Warrants and as to whether the investment in the Warrants is appropriate or proper for it based upon its own judgement and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer, the Guarantor or any Dealer as investment advice or as a recommendation to invest in the Warrants, it being understood that information and explanations related to the terms and conditions of the Warrants shall not be considered to be investment advice or a recommendation to invest in the Warrants. No communication (written or oral) received from the Issuer, the Guarantor or any Dealer shall be deemed to be an assurance or guarantee as to the expected results of the investment in the Warrants.*

(b) ***Assessment and Understanding****. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and conditions and the risks of the investment in the Warrants. It is also capable of assuming, and assumes, the risks of the investment in the Warrants.*

(c) ***Status of Parties****. None of the Issuer, the Guarantor nor any Dealer is acting as fiduciary for or adviser to it in respect of the investment in the Warrants.]*

1.	1.1	Issuer:	Abbey National Treasury Services plc
	1.2	Guarantor:	Santander UK plc
2.	2.1	Series Number:	[ ]
	2.2	Tranche Number:	[ ]
	2.3	Consolidation:	[The Warrants are to be consolidated and form a single series with [*insert title of relevant series of Warrants*] issued on [*insert issue date*]] / [Not Applicable] (*If fungible with an existing Series, insert details of that Series, including the date on which the Warrants become fungible*)
	2.4	Trading Method:	Unit
	2.5	Calculation Amount:	[●]
3.	Applicable Annex(es):		[Not Applicable] / [Payout] / [Equity] / [Equity Index/ETF] / [Inflation Index] / [Property Index]
4.	Specified Currency:		[ ]

5.	Aggregate Issue Size:		
	5.1	Series:	[ ] Units
	5.2	Tranche:	[ ] Units
	5.3	Aggregate Proceeds Amount of Tranche:	[*Specify currency*] [ ] [*Specify gross proceeds of Tranche without deduction of fees and commissions*]
6.	6.1	Unit Issue Price of Tranche:	[ ] per Unit
	6.2	Unit Value on Issue:	[ ] per Unit Investors should note that the value of a Unit in the secondary market or on settlement may be less than the Unit Value on Issue.
	6.3	Minimum Tradeable Size:	[[ ] Unit(s)] / [Not Applicable]
	6.4	Multiple Tradeable Size:	[[ ] Unit(s)] / [Not Applicable]
7.	7.1	Issue Date:	[*specify date*]
	7.2	Settlement Date(s):	The settlement date of the Warrants will be [[(i)] [●]][or (ii) if earlier, the Autocallable Settlement Date specified in relation to the Actual Exercise Date in item 12 below] [the date specified as such in item 12 below in relation to the Actual Exercise Date] [*specify date(s)*] (the "**Scheduled Settlement Date(s)**") [in each case] subject to adjustment as provided in the Conditions. Specified Number of Days Postponement: [●] Business Days
8.	Type of Warrants:		
	8.1	Warrant Type:	The Warrants are [Cross-Asset Linked Warrants: *[Specify each relevant Type as follows*] / [Equity Index/ETF Linked Warrants / Equity Linked Warrants / Inflation Index Linked Warrants / Property Index Linked Warrants]].
	8.2	Warrant Style:	The Warrants are [European / American / Bermudan] Style Warrants.
	8.3	Call / Put:	The Warrants are [Call Warrants / Put Warrants].
	8.4	Reference Item:	The Warrants relate to [*describe relevant Index / Indices / Shares / Debt Instrument / ETF(s) / Inflation Indices / Property Indices*].

PROVISIONS RELATING TO EXERCISE

9.	Minimum Exercise Number:		The minimum number of Warrants that may be exercised (including automatic exercise) on any day by any Warrantholder is [●] [and Warrants may be exercised (including automatic exercise) in integral multiples of [●] Warrants in excess thereof].

10.	Maximum Exercise Number:	The maximum number of Warrants that may be exercised on any day by any Warrantholder or group of Warrantholders (whether or not acting in concert) is [●] *(N.B. Not Applicable for European Style Warrants)*.
11.	Exercise Price(s):	The [exercise price(s) per Warrant/aggregate exercise price per Unit] (which may be subject to adjustment in accordance with the Conditions) is [●].
12.	Exercise Date(s):	The exercise date[s] of the Warrants [is] [are] [ ]. *(N.B. only single Exercise Date in relation to European Style Warrants)* *(or, if applicable, insert relevant provisions from the Payout Annex: i.e. Payout Condition 3.2 and related definitions from Payout Condition 5 and set out relevant Scheduled Settlement Date(s) (i.e. set out next to each potential Exercise Date, Scheduled Observation Date, Autocallable Settlement Date and/or Autocallable Amount) in table format.)* *[N.B. Auto-callable warrants should be cash settled only]*
13.	Exercise Period:	[The exercise period in respect of the Warrants is [from (and including) [●] up to (and including) [●]] [,or if either day is not an Exercise Business Day, the immediately [succeeding] Exercise Business Day]] / [Not Applicable] (*N.B. Only applicable in relation to American Style Warrants*)
14.	Automatic Exercise:	Automatic exercise [applies / does not apply] to the Warrants. [*N.B. Specify as "Applicable" for Warrants which are retail securitised derivatives admitted to the Official List of the UK Listing Authority*]

PROVISIONS RELATING TO SETTLEMENT

15.	Cash Settlement Provisions:		
	15.1	Cash Settlement Amount:	*(Insert relevant provisions from the Payout Annex: i.e. (1) Payout Condition 3.3 and related definitions from Payout Condition 5 or (2) 4.1(b), the relevant Final Payment Option from Payout Condition 4.2 and related definitions from Payout Condition 5.)*
	15.2	Settlement Currency:	The settlement currency for the payment of the Cash Settlement Amount is [●].
	15.3	Rounding:	[Rounded up] / [Rounded down]
16.	Business Day Centre(s):		The applicable Business Day Centre(s) for the purposes of the definition of "Business Day" in Warrant Condition 4 [is/are] [ ].
17.	Business Day Convention:		[Following] / [Modified Following]
18.	Issuer Early Cancellation:		[Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

18.1	Issuer Early Cancellation Dates:	[●]
18.2	Issuer Early Cancellation Amount:	[●] per cent per Unit.
18.3	Notice Periods:	
	(a) Maximum Period:	[●] days
	(b) Minimum Period:	[●] days
		[*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example as between the Issuer and the Principal Warrant Agent*]

19. Notice Periods for Illegality Cancellation, Regulatory Cancellation, Force Majeure Cancellation and Tax Cancellation:

19.1	Maximum Period:	[●] days
19.2	Minimum Period:	[●] days
		[N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example as between the Issuer and the Principal Warrant Agent]

20. Key Dates relating to Variable Settlement Warrants

(a)	Trade Date:	[ ]
(b)	Valuation Date(s):	[ ] / [Not Applicable]
(c)	Initial Valuation Date:	[ ] / [Not Applicable]
(d)	Scheduled Observation Date(s):	[ ] / [Not Applicable]
(e)	Calculation Date(s)	[ ] / [Not Applicable]
(f)	Observation Period:	[ ] / [Not Applicable]
(g)	Averaging Dates:	[Averaging [applies / does not apply] to the Warrants.] [The Averaging Dates are [ ].] [In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]
(h)	Final Valuation Date:	[ ] / [Not Applicable]

	(i) Specified Maximum Days of Disruption:	[See [Equity Linked Condition 10 (*for Equity Linked Warrants*)] / [Equity Index/ETF Linked Condition 9 (*for Equity Index/ETF Warrants*)]] / [[*Specify number*] Scheduled Trading Days] / [Not Applicable].

PROVISIONS RELATING TO THE TYPE OF WARRANTS

21.	**Equity Linked Warrants**	[Applicable] / [Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
21.1	Whether the Warrants relate to a single share or a basket containing one or more shares (each a "**Share**"):	[Single Share] / [Basket containing one or more Shares]
21.2	Share(s) and Share Company(ies):	(a) [*Name of Share*] (b) [*Name of Share/Basket Company*] (c) Bloomberg Screen: [ ] (d) ISIN Code: [ ] *(In case of more than one Share repeat the prompts set out in items 21.2 – 21.7 inclusive and include the relevant information. In this case before such items set out the title:* ***Information in relation to [name of Share]****)*
21.3	Depositary Receipt provisions:	[Applicable] / [Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(a) Details of Depositary Receipt:	[*specify name and ISIN code*]
	(b) Underlying Shares:	[*specify the shares underlying the depositary receipts*]
	(c) Underlying Share issuer:	[*specify name of the underlying issuer*]
	(d) Share Exchange:	[*specify – exchange for underlying shares*]
21.4	Settlement Price:	[Opening Price] / [Intraday Price] / [Observation Level] / [Closing Price] (*NB:- If Observation Level is elected please specify one of (a) the [lowest] [highest] Closing Price observed by the Calculation Agent on the Scheduled Observation Dates or (b) the price of the Shares observed by the Calculation Agent in accordance with the definition of Settlement Price at or about the Relevant Time on the [Initial Valuation Date] [Scheduled Observation Date]*).
21.5	Exchange(s):	The relevant Exchange[s] [is/are] [ ]
21.6	Related Exchange:	[*specify*] / [All Exchanges]

21.7	Relevant Time:	[Scheduled Opening Time] [Scheduled Closing Time]/[The relevant time is [ ], being a time specified on a [Valuation Date/Averaging Date/Scheduled Observation Date], as the case may be, for the calculation of the Settlement Price.]
21.8	Exchange Business Day:	[Exchange Business Day (Single Share Basis)] / [Exchange Business Day (All Shares Basis)] / [Exchange Business Day (Per Share Basis)] [Exchange Business Day (Cross Asset Basis) *(note only to be specified for Cross-Asset Linked Warrants which relate only to Equities and Equity Indices/ETFs)*]
21.9	Scheduled Trading Day:	[Scheduled Trading Day (Single Share Basis)] / [Scheduled Trading Day (All Shares Basis)] / [Scheduled Trading Day (Per Share Basis)][Scheduled Trading Day (Cross Asset Basis) *(note only to be specified for Cross-Asset Linked Warrants which relate only to Equities and Equity Indices/ETFs)*]
21.10	Further provisions relating to Extraordinary Events:	
	(a) Share Substitution:	[Applicable] / [Not Applicable]
	(b) Tender Offer:	[Applicable] / [Not Applicable]
	(c) De-Merger:	[Applicable] / [Not Applicable]
	(d) Participation Event:	[Applicable] / [Not Applicable]
	(e) Illiquidity:	[Applicable] / [Not Applicable]
21.11	Additional Disruption Events:	[Applicable]/[Not Applicable] (*if Not Applicable delete remaining items of this item 21.11)*
		(a) Elected Events Only: [Applicable] / [Not Applicable]
		(b) [The following Additional Disruption Events apply to the Warrants: [Analogous Event] [Change in Law] [Currency Event] [Failure to Deliver] [Force Majeure Event] [Hedging Disruption] [Increased Cost of Hedging] [Increased Cost of Stock Borrow] [Insolvency Filing] [Jurisdiction Event] [Loss of Stock Borrow] [Termination or Adjustment Event (if applicable)]]
		(NB: *delete this item (b) if "Elected Events Only" is specified as Not Applicable*)
		(c) [The Maximum Stock Loan Rate in respect of [*specify in relation to each relevant Share*] is [ ]]
		(NB: *only applicable if Loss of Stock Borrow is required*)
		(d) [The Initial Stock Loan Rate in respect of [*specify in relation to each relevant Share*] is [ ].]

(NB: *Only applicable if Increased Cost of Stock Borrow is required*)

22. Equity Index/ETF Linked Warrants

[Applicable] / [Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

22.1 Whether the Warrants relate to single index or ETF or a basket containing one or more indices or ETFs and the identity of each relevant Index/ETF:

[Single index] / [Basket containing one or more indices] / [Single ETF] / [Basket containing one or more ETFs]

22.2 Equity Index:

[Applicable] / [Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(a) [*Name of Index/Basket Index*]

(b) The relevant Index Sponsor is [*Name of Index Sponsor*]

(c) Bloomberg Screen: [ ]

(*In case of more than one Index repeat the prompts set out in items 22.2 – 22.7 inclusive below and include the relevant information in a tabular format.*)

22.3 Exchange Traded Fund:

[Applicable] / [Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(a) [*Name of ETF/Basket ETF*]

(b) The ETF Issuer is [*Name of ETF Issuer*]

(c) ETF Bloomberg Screen: [ ]

(d) ISIN Code: [ ]

(e) The Related Index is [*Name of Related Index*]

(f) Related Index Bloomberg Screen: [ ]

(g) Related Index ISIN Code: [ ]

(*In case of more than one ETF repeat the prompts set out in items 22.3 – 22.7 inclusive below and include the relevant information in a tabular format*.)

22.4 Index / ETF Level:

[Closing Level] / [Intraday Level] / [Opening Level] / [Observation Level]

(*NB:- If Observation Level is elected please specify one of (a) the*

		[lowest] [highest] Closing Level observed by the Calculation Agent on the Scheduled Observation Dates or (b) the level of the [Index] [ETF] observed by the Calculation Agent in accordance with the definition of Index/ETF Level at or about the Relevant Time on the [Initial Valuation Date] [Scheduled Observation Date]).
22.5	Exchange(s)	[The relevant Exchange[s] [is/are] [ ]]
22.6	Related Exchange:	[*specify*] / [All Exchanges]
22.7	Relevant Time:	[Scheduled Closing Time]/[The relevant time is [ ], being the time specified on the [Valuation Date/Averaging Date/Scheduled Observation Date] for the calculation of the Index/ETF Level.]
22.8	Exchange Business Day	[Exchange Business Day (Single Index Basis)] / [Exchange Business Day (All Indices Basis)] / [Exchange Business Day (Per Index Basis)] [Exchange Business Day (Cross Asset Basis) *(Note: final option only to be specified for Cross-Asset Linked Warrants which relate only to Equities and Equity Indices/ETFs)*]
22.9	Scheduled Trading Day	[Scheduled Trading Day (Single Index Basis)] / [Scheduled Trading Day (All Indices Basis)] / [Scheduled Trading Day (Per Index Basis)] [Scheduled Trading Day (Cross Asset Basis) *(Note: final option only to be specified for Cross-Asset Linked Warrants which relate only to Equities and Equity Indices/ETFs)*]
22.10	Additional Disruption Events:	[Applicable]/[Not Applicable: the provisions of Equity Index/ETF Linked Condition 7 do not apply] (*if not applicable delete the remaining parts of this item 22.10)* (a) Elected Events Only: [Applicable] / [Not Applicable] [*Where the Warrants are linked to an ETF or basket of ETFs, include the following language:* provided that "Additional Disruption Event" will be deemed to include Merger Event, Tender Offer, Insolvency, Nationalisation and De-Listing]] (b) [The following Additional Disruption Events apply to the Warrants: [Change in Law] [Hedging Disruption] [Increased Cost of Hedging] [Increased Cost of Stock Borrow] [Loss of Stock Borrow] [Merger Event] [Tender Offer] [Insolvency] [Nationalisation] [De-Listing] [ETF Event]] (NB*: delete this item (b) if "Elected Events Only" is specified as Not Applicable*) (c) [The Maximum Stock Loan Rate in respect of [specify in relation to each relevant Component Security] is [ ]] (NB*: only applicable if Loss of Stock Borrow is applicable*)

(d) [The Initial Stock Loan Rate in respect of [*specify in relation to each relevant Component Security*] is [ ].].

(NB*: only applicable if Increased Cost of Stock Borrow is applicable*)

23. Inflation Index Linked Warrants: [Applicable] /[Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

23.1 Inflation Index/Inflation Indices: [ ]

(Give details of index/indices. In case of more than one Inflation Index, repeat the prompts set out in items 23.1 – 23.7 inclusive below and include the relevant information. In this case immediately before such items set out the title: ***Information in relation to [name of Inflation Index]***)

23.2 Reference source(s): [ ]

23.3 Inflation Index Sponsor(s): [ ]

23.4 Related Bond: [Applicable/Not Applicable]

The Related Bond is: [ ] [Fallback Bond]

The issuer of the Related Bond is: [ ]

23.5 Fallback Bond: [Applicable] / [Not Applicable]

23.6 Observation level: [Applicable / Not Applicable]

(*NB: If applicable please specify one of (a) the [lowest] [highest] level of the Inflation Index observed by the Calculation Agent in accordance with the Inflation Index Linked Conditions in respect of the Scheduled Observation Dates or (b) the level of the Inflation Index observed by the Calculation Agent in accordance with the Inflation Index Linked Conditions in respect of the [Initial Valuation Date] [Scheduled Observation Date*].)

23.7 Inflation Index Dates in relation to [*name of Key Dates*]: (*In case of more than one Key Date, repeat the prompts set out in items 23.7(a) – 23.7(d) inclusive below (if different for each Key Date) and include the relevant information in a tabular format.*)

(a) Reference Month: [ ]

(b) Determination Date(s): [ ]

(*Note this may be the relevant Key Date*)

(c) Inflation Cut-Off Date: [ ] [As defined in the Inflation Index Linked Conditions]

(d) End Date: [ ] [The final possible Settlement Date]

			(This is necessary whenever Fallback Bond is Applicable)
	23.8	Additional Disruption Events:	[The following Additional Disruption Events apply to the Warrants: [Change in Law][,/and] [Hedging Disruption][,/and] [Increased Cost of Hedging]]/[Not Applicable: the provisions of Inflation Index Linked Condition 4 do not apply]
24.	**Property Index Linked Warrants:**		[Applicable] /[Not Applicable] (*If applicable, insert relevant provisions here. Alternatively, annex the relevant provisions to these Final Terms*)
	24.1	Property Index:	[ ] (*Give details of index / indices. In case of more than one Property Index, repeat the prompts set out in items 24.1 – 24.4 inclusive below and include the relevant information. In this case immediately before such items set out the title* ***Information in relation to [name of Property Index]***)
	24.2	Property Index Sponsor	[ ]
	24.3	Property Index Dates in relation to [*Name of Key Date*]:	(*In case of more than one Key Date, repeat the prompts set out in items 24.3(a) – 24.3(b) inclusive below (if different for each Key Date) and include the relevant information in a tabular format.*)
		(a) Publication Date(s):	[ ] (*Note this may be the relevant Key Date*)
		(b) Cure Period:	[Applicable: [ ] (*If applicable, Cure Period to be specified*)] / [Not Applicable]
	24.4	Observation Level:	[Applicable / Not Applicable] (*NB: If applicable please specify one of (a) the [lowest] [highest] level of the Property Index observed by the Calculation Agent in accordance with the Property Index Linked Conditions in respect of the Scheduled Observation Dates or (b) the level of the Property Index observed by the Calculation Agent in accordance with the Property Index Linked Conditions in respect of the [Initial Valuation Date] [Scheduled Observation Date]*.)
	24.5	Additional Disruption Events:	[[Each of][Change in Law][,/and][Hedging Disruption][, /and][Increased Cost of Hedging]/[Not Applicable: the provisions of Property Index Linked Condition 5 do not apply]]
25.	**Fixed Income Benchmark**		[Applicable] / [Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	25.1	Additional Business Centre(s):	[ ] / [Not Applicable]
	25.2	Manner in which the Rate of Interest and	[Screen Rate Determination / ISDA Determination / Bank of

	Interest Amount is to be determined:		England Base Rate Determination]
			(further particulars specified below)
25.3	Screen Rate Determination:		[Applicable] / [Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(a)	Interest Determination Date(s):	[ ]
	(b)	Reference Rate:	[ ] month LIBOR / EURIBOR
	(c)	Relevant Screen Page:	[ ]
			(*In the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate or amend fallback provisions appropriately)*
25.4	ISDA Determination:		[Applicable] / [Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(a)	Reset Date(s):	[ ]
	(b)	Floating Rate Option:	[ ]
	(c)	Designated Maturity:	[ ]
25.5	Bank of England Base Rate Determination:		[Applicable] / [Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(a)	Designated Maturity:	[Daily] [ ]
	(b)	Relevant Screen Page:	[Reuters UKBASE] [ ]
25.6	Margin(s):		[+/-][ ] per cent. per annum
25.7	Minimum Rate of Interest:		[ ] per cent. per annum
25.8	Maximum Rate of Interest:		[ ] per cent. per annum

GENERAL PROVISIONS APPLICABLE TO THE WARRANTS

26.	Form of Warrants:	Registered Form: Permanent Global Warrant
27.	Calculation Agent:	[Abbey National Treasury Services plc 2 Triton Square Regent's Place London NW1 3AN United Kingdom] [*specify other*]

28.	Linked Warrants:	[Applicable/Not Applicable] *[If applicable, specify manner in which a Linked Warrant may be separated by a Warrantholder at his option. Warrantholders should be able to separate Linked Warrants at their discretion.]*

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [[*Relevant third party information, for example, in compliance with Annex XII to the Prospectus Directive Regulation in relation to each Reference Item (as defined in the Warrant Conditions) [or its components*]] has been extracted from [*specify source*]. The Issuer and the Guarantor each confirm that such information has been accurately reproduced and that, so far as they are aware and is/are able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer and the Guarantor:

By: .....
Duly authorised

PART B – OTHER INFORMATION

[When completing this Part B prompts marked:

** should be deleted if minimum denomination is less than €100,000 (or its equivalent in the relevant currency as at the date of issue).*

*** should be deleted if minimum denomination is €100,000 or more (or its equivalent in the relevant currency as at the date of issue).*

**** should be deleted if minimum denomination is €100,000 or more (or its equivalent in the relevant currency as at the date of issue) and if the securities are not Derivative Securities.*

***** should be deleted if the securities are Derivative Securities.]*

1. LISTING AND ADMISSION TO TRADING

1.1	Listing and admission to trading:	[Application [has been][is expected to be] made by the Issuer (or on its behalf) for the Warrants to be admitted to trading on the London Stock Exchange's Regulated Market and to be listed the Official List of the UK Listing Authority with effect on or about [the Issue Date].] [Application [has been][is expected to be] made by the Issuer (or on its behalf) for the Warrants to be admitted to the Official List of the Irish Stock Exchange and trading on its regulated market with effect from [the Issue Date].] [The Securities will not be listed on a regulated market but application [has been] [is expected to be] made by the Issuer (or on its behalf) for the Warrants to be included to trading on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange (Börse Frankfurt Zertifikate AG) with effect on or about [●] [the Issue Date].] [*Specify any other listing if applicable*] [Not Applicable.] (*Where documenting a fungible issue, indication must be given that the original Warrants are already admitted to trading*).***
1.2	Estimate of total expenses related to admission to trading:*/***	[ ]

2. RATINGS

2.1	Ratings:	[None. Please note that as at the Issue Date it is not intended that this specific Series of Warrants will be rated.] [The Warrants to be issued [have been]/[are expected to be] rated [*insert rating*] by [*insert the legal name of the relevant credit rating agency entity(ies)*].] /[The following ratings reflect ratings assigned to Warrants of this type issued under the Programme generally.]

[*Include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*]

(*The above disclosure should reflect the rating specifically allocated to Warrants by the relevant credit rating agency*).

(*In respect of each agency providing a rating, disclosure must be included as to the status of that agency with regards Regulation (EC) No. 1060/2009 (as amended) on credit rating agencies. This status should be confirmed with the relevant agency(ies) at the time of issuance. Once confirmed, select and complete the appropriate pro forma wording below. N.B. S&P, Moody's and Fitch have a number of group entities which may issue ratings. It will be important to confirm with the credit rating agency on a case by case basis precisely which entity is issuing (and/or endorsing) the rating and to ensure that this is accurately reflected*)

[[[Moody's Investors Service Ltd] / [*Specify other*]] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). [As such [[Moody's Investors Service Ltd] / [*Specify other*]] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[*Insert the legal name of relevant non-EU credit rating agency entity*] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [*Insert the legal name of relevant non-EU credit rating agency entity*] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[*Insert legal name of relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The ratings have been endorsed by [*insert the legal name of the relevant EU-registered credit rating agency entity*] in accordance with CRA Regulation. [*Insert the legal name of the relevant EU-registered credit rating agency entity*] is established in the European Union and registered under the CRA Regulation. [As such [*insert the legal name of the relevant EU-registered credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.] The European Securities Markets Authority has indicated that ratings issued in [Japan/Australia/the USA/Canada/Hong Kong/Singapore/ Argentina/Mexico (delete as appropriate)] which have been endorsed by [insert the legal name of the relevant EU credit rating agency entity that applied for registration] may be used in the EU by the relevant market participants.]

[[*Insert legal name of relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"), but it [[is]/[has applied to be]] certified in accordance with the CRA Regulation[[[EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [[OR:] although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant non-EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

[[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority[and [*insert the legal name of the relevant credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*][, although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority and [*insert the legal name of the relevant EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].] The European Securities Markets Authority has indicated that ratings issued in [Japan/Australia/the USA/Canada/Hong Kong/Singapore/ Argentina/Mexico (*delete as appropriate*)] which have been endorsed by [insert the legal name of the relevant EU credit rating agency entity that applied for registration] may be used in the EU by the relevant market participants.]

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

[Save for any fees payable to the Dealer [and any Authorised Offeror[(ies)]], so far as the Issuer is aware, no person involved in the issue of the Warrants has an interest material to the offer. (*Amend as appropriate if there are other*

interests)]

[*(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*]

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

4.1	Reasons for the offer:	[General corporate purposes] (*See "Use of Proceeds" wording in Base Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.*)
4.2	Estimated net proceeds:	[ ] (*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)
4.3	Estimated total expenses:	[ ] [Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses".] (*If the Warrants are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at 4.2 and 4.3 above where disclosure is included at 4.1 above.*)

5. PERFORMANCE OF REFERENCE ITEM / FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT [AND OTHER INFORMATION CONCERNING [REFERENCE ITEM] [THE FORMULA]]***

[If the Warrants are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, an example of how the value of the investment is affected by the value of the underlying may be included.]

- [*Need to include details of where past and future performance and volatility of the Reference Item can be obtained*].
- [*Where the underlying is an index, include the name of [the/each] index and details of where information about [the/each] index can be obtained.*]
- [*Where the underlying is a basket of underlyings, include details of the relevant weighting of each underlying in the basket.*]

[*(When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

6. OPERATIONAL INFORMATION

6.1	ISIN Code:	[ ]

6.2	Common Code:	[ ]
6.3	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
6.4	Delivery:	Delivery [against/free of] payment
6.5	Deemed delivery of clearing system notice for the purposes of Warrant Condition 11 (*Notices*):	Any notice delivered to Warrantholders through the clearing system will be deemed to have been given on the [second][business] day after the day on which it was given to [Euroclear] [and/,] [Clearstream, Luxembourg] [and/,] [*specifiy other*].
6.6	Governing law:	English

7. DISTRIBUTION

7.1	Method of distribution:		[Syndicated]/[Non-syndicated]
7.2	(i)	If syndicated, names [and addresses]*** of Managers [and underwriting commitments]***:	[Not Applicable] / [give names [and addresses]*** of each entity acting as underwriter [and its respective underwriting commitments]***] (*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.*)***
	(ii)	Date of Subscription Agreement***:	[ ]
	(iii)	Stabilising Manager(s) (if any):	[Not Applicable] / [*give name*]
7.3	If non-syndicated, name [and address]*** of relevant Dealer:		[Not Applicable] / [*give name* [*and address*]***] [In connection with the issue of any Tranche of Warrants, the relevant Dealer (if any) named as the stabilising manager (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms or Base Prospectus (as the case may be) (the "**Stabilising Manager**") may over-allot Warrants or effect transactions with a view to supporting the market price of the Warrants at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Tranche of Warrants 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 Tranche of Warrants and 60 days after the date of the allotment of the Tranche of Warrants.]

7.4	Non exempt Offer**:	[Not Applicable] / [An offer of the Warrants may be made by any Dealer [and [*specify names of other financial intermediaries/placers receiving specific consent*]] (the "**Initial Authorised Offerors**") [and any additional financial intermediaries who have or obtain the Issuer's consent to use the Base Prospectus in connection with the Non-exempt Offer and who are identified on the Issuer's website at [http://www.aboutsantander.co.uk/investors/debt-investors/abbey-omnibus-programme/authorised-offeror.aspx] as an Authorised Offeror]] (together, being persons to whom the Issuer has given consent[,] the "**Authorised Offerors**") other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s) where the Issuer intends to make the Non-exempt Offer which must be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)*] (the "**Public Offer Jurisdictions**") during the period from [*Insert, for example, one business day after satisfaction of all regulatory requirements of such Member State(s)*] until [*specify date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter"*] (the "**Offer Period**"). Copies of these Final Terms will be provided to the competent authorities in the Public Offer Jurisdictions. See further Paragraph 8 of this Part B. (*Consider walk-away rights if extending Offer Period beyond the Issue Date*)
	General Consent:	[Applicable]/[Not Applicable]
	Other conditions to consent:	[Not Applicable] [*Add here any other conditions to which the consent given is subject*] (*N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt Offers may only be made into jurisdictions in which the Base Prospectus (and any supplement) has been notified / passported.*)

8. TERMS AND CONDITIONS OF THE PUBLIC OFFER**

[Applicable] / [Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)* [The Warrants will be offered to the public in Public Offer Jurisdiction in accordance with the arrangements listed below.]

8.1	Offer Price:	[Issue Price] / [See 8.11 below] / [Not Applicable] / [*give details*]
8.2	[Conditions to which the offer is subject:]	[Not Applicable] / [*give details*] [Offers of the Warrants are conditional on their issue and are subject to such conditions as are set out in the [Distribution Agreement]. As between Dealers and their customers (including

		Authorised Offerors) or between Authorised Offerors and their customers, offers of the Warrants are further subject to such conditions as may be agreed between them and/or as is specified in any arrangements in place between them.]
8.3	Offer Period:	[See paragraph 8.1 above] [*Specify other*]
8.4	[Description of the application process]:	[Not Applicable] / [*give details*]
8.5	[Details of the minimum and/or maximum amount of application]:	[Not Applicable] / [*give details*]
8.6	[Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants]:	[Not Applicable] / [*give details*]
8.7	[Details of the method and time limits for paying up and delivering the Warrants:]	[Not Applicable] / [*give details*] [*NB: Under normal circumstances, on the Issue Date, allocated Warrants will be made available to the Dealer(s) /* Authorised Offerors *in such account as may be held by them directly or indirectly at Euroclear or Clearstream, Luxembourg.*]
8.8	[Manner in and date on which results of the offer are to be made public:]	[Not Applicable] / [*give details*] [*If applicable (i) specify date on which the final size of the issue will be made public and (ii) insert specific details in respect of the method of publication (including, where relevant, details of any advertisements to be published).*]
8.9	[Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:]	[Not Applicable] / [*give details*]
8.10	[Whether tranche(s) have been reserved for certain countries:]	[Not Applicable] / [*give details*]
8.11	Indication of the expected price at which the Warrants will be offered or the method of determining the price and the process for its disclosure:	[Not Applicable] [The Issuer has offered and will sell the Warrants to the Dealer(s) (and no one else) at the Issue Price [less a total commission of [up to] [ ] [per cent.] [of the Issue Price]]. The Dealer(s) and Authorised Offerors will offer and sell the Warrants to their customers in accordance with the arrangements in place between each such Dealer and its customers (including the Authorised Offerors) or each such Authorised Offeror and its customers by reference to the Issue Price and the market conditions prevailing at the time.] [*Other*]
8.12	[Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:]	[Not Applicable] / [*give details*] [Prospective Warrantholders will be notified by the relevant Dealer(s) and Authorised Offerors in accordance with the arrangements in place between such Dealer(s) or Authorised

		Offeror and its customers. Any dealings in the Warrants, which take place will be at the risk of the prospective Warrantholders.]
8.13	[Amount of any expenses and taxes specifically charged to the subscriber or purchaser:]	[Not Applicable] / [*give details*]
8.14	[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 are identified in 7.4 above] [*give details*]

The Issuer is only offering to and selling to the Dealer(s) pursuant to and in accordance with the terms of the [Distribution Agreement] [Programme Agreement][19]. All sales to persons other than the Dealer(s) will be made by the Dealer(s) or persons to whom they sell, and/or otherwise make arrangements with, including the Authorised Offerors. The Issuer shall not be liable for any offers, sales or purchases of Warrants to persons (other than in respect of offers and sales to, and purchases of, Warrants by the Dealer(s) and only then pursuant to the [Distribution Agreement] [Programme Agreement], which are made by the Dealer(s) or Authorised Offerors in accordance with the arrangements in place between any such Dealer or any such Authorised Offeror and its customers.

[Each [of] the Dealer(s) has acknowledged and agreed, and any Authorised Offeror will be required by the Dealer(s) to acknowledge and agree, that for the purpose of offer(s) of the Warrants, the Issuer has passported the Base Prospectus in each of the Public Offer Jurisdictions and will not passport the Base Prospectus into any other European Economic Area Member State; accordingly, the Warrants may only be publicly offered in Public Offer Jurisdictions or offered to Qualified Investors (as defined in the Prospectus Directive) in any other European Economic Area Member States and that all offers of Warrants by it will be made only in accordance with the selling restrictions set forth in the Base Prospectus and the provisions of these Final Terms and in compliance with all applicable laws and regulations.]

[19] Delete as applicable depending on whether syndicated trade or not.

SUMMARY OF THE WARRANTS

[*Insert completed Summary for the Warrants, unless Issue Price is equal to or greater than EUR100,000 (or its equivalent in another currency)*]

FORM OF GUARANTEE

GUARANTEE

THIS GUARANTEE is given on 21 February 2013 by Santander UK plc (the "**Guarantor**").

WHEREAS:

(A) The Guarantor has agreed to guarantee the obligations of Abbey National Treasury Services plc (the "**Issuer**") in respect of notes ("**Notes**"), redeemable certificates ("**Certificates**" and, together with the Notes, "**N&C Securities**") and warrants ("**Warrants**" and, together with N&C Securities, "**Securities**") issued under its Note, Certificate and Warrant Programme (the "**Programme**") which are issued pursuant to (i) in the case of N&C Securities, an Agency Agreement (as the same may be supplemented, amended and/or restated from time to time, the "**Agency Agreement**") dated on or around 21 February 2013 between, among others, the Issuer, the Guarantor and Citibank N.A. as Issuing and Principal Paying Agent and (ii) in the case of Warrants, a Warrant Agreement (as the same may be supplemented, amended and/or restated from time to time, the "**Warrant Agreement**") dated on or around 21 February 2013 between, among others, the Issuer, the Guarantor and Citibank N.A. as Principal Warrant Agent.

(B) Terms defined in the General Terms and Conditions of the N&C Securities or the General Terms and Conditions of the Warrants (as the case may be) and, in each case, each applicable Annex (together, the "**Conditions**") as set out in the Agency Agreement or Warrant Agreement (as applicable) and not otherwise defined in this Guarantee shall have the same meaning when used in this Guarantee. References to "N&C Securities" herein shall include the related Coupons, Talons and Receipts, if applicable. References to "Securityholder" herein will be references to "N&C Securityholder" or, where applicable, "Couponholder" or "Receiptholder", in the case of N&C Securities and to "Warrantholder" in the case of Warrants.

(C) This Guarantee will apply in respect of Securities issued on or after the date hereof save in relation to any issues of Securities which are further issues of any Tranche of Securities in existence at the date hereof ("**Fungible Securities**"), in relation to which the Guarantor's Deed of Guarantee dated 26 March 2009 or 5 April 2012, as applicable, will apply (if such Fungible Securities are Notes) or the Guarantor's Deed of Guarantee dated 16 December 2009 or 5 April 2012, as applicable, will apply (if such Fungible Securities are Warrants).

(D) The giving of this Guarantee was authorised by the Board of Directors of the Guarantor on 28 February 2012.

NOW THIS DEED WITNESSETH as follows:

1. The Guarantor as primary obligor hereby irrevocably and unconditionally guarantees to the holder from time to time of each Security by way of continuing guarantee:

   (a) the due and punctual payment of all amounts payable by the Issuer on or in relation to such Securities as and when the same shall become due according to the Conditions; and

   (b) the due and punctual performance and observance by the Issuer of each of the other provisions of the N&C Securities (including delivery of any Asset Amount, subject as provided in Clause 2(c) below) or the Warrants (including the delivery of any Entitlement, subject as provided in Clause 2(d) below), as the case may be ("**Relevant Obligations**") to be performed or observed by the Issuer in relation to all Securities issued by it.

2. The Guarantor as primary obligor unconditionally and irrevocably agrees that if and each time that the Issuer shall fail to make any payments or perform any Relevant Obligations as and when the same become due or due to be performed or observed, the Guarantor will on demand (without requiring the relevant Securityholder first to take steps against the Issuer or any other person) (x) pay to the relevant Securityholder the relevant amounts in the currency in which the amounts are payable by the Issuer or (y) perform or observe or procure the performance or observation of the Relevant Obligation (in each case as to which the certificate of the relevant Securityholder shall in the absence of manifest error be conclusive), Provided That:

(c) in the case of each Series of N&C Securities which are Physical Delivery N&C Securities, the Guarantor shall at all times have the right, in its sole and unfettered discretion, to elect not to deliver or procure delivery of the Asset Amount (as specified in the applicable Final Terms or, in the case of Exempt N&C Securities, the applicable Pricing Supplement) to the holders of such Physical Delivery N&C Securities when the same shall become due and deliverable, but in lieu thereof to make payment in respect of each Physical Delivery N&C Security to the holder(s) of such Physical Delivery N&C Security of an amount determined by the Guarantor in good faith and in a commercially reasonable manner to be equal to the fair market value of the assets to which the Asset Amount in respect of the relevant N&C Security relates less such N&C Security's *pro rata* share of the costs of unwinding any underlying related hedging and/or funding arrangements of the Issuer and/or the Guarantor (the "**Guaranteed Cash Settlement Amount**"). Any payment of the Guaranteed Cash Settlement Amount in lieu of the relevant Asset Amount shall constitute a complete discharge of the Guarantor's obligations in respect of the relevant N&C Securities save as to any other cash amounts due in respect of such N&C Securities.

(d) in the case of each Series of Warrants which are Physical Delivery Warrants, the Guarantor shall at all times have the right, in its sole and unfettered discretion, to elect not to deliver or procure delivery of the Entitlement (as specified in the applicable Final Terms or, in the case of Exempt Warrants, the applicable Pricing Supplement) to the holders of such Physical Delivery Warrants when the same shall become due and deliverable, but in lieu thereof to make payment in respect of each Physical Delivery Warrant to holder(s) of such Physical Delivery Warrant an amount determined by the Guarantor in good faith and in a commercially reasonable manner to be equal to the fair market value of the assets to which the Entitlement in respect of the relevant Warrant relates less such Warrants' *pro rata* share of the costs of unwinding any underlying related hedging and/or funding arrangements of the Issuer and/or the Guarantor (the "**Guaranteed Cash Settlement Amount**"). Any payment of the Guaranteed Cash Settlement Amount in lieu of the relevant Entitlement shall constitute a complete discharge of the Guarantor's obligations in respect of the relevant Warrants save as to any other cash amounts due in respect of such Warrants.

3. All payments by the Guarantor under this Guarantee will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or the taxing authority of any territory in which the Guarantor is incorporated or resident for taxation purposes, 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 Guarantor will make the required withholding or deduction of such taxes, duties, assessments or governmental charges for the account of the holders of the Securities, as the case may be, and shall not pay any additional amounts to the holders of the Securities.

4. If any payment or delivery received by any Securityholder pursuant to the provisions of the Securities in relation to the Securities shall, on the subsequent bankruptcy, insolvency or corporate reorganisation of the Issuer or other such similar event, be avoided or set aside for any reason, such payment or delivery shall not be considered as discharging or diminishing the liability of the Guarantor and this guarantee shall continue to apply as if such payment or delivery had at all times remained owing by the Issuer and the Guarantor shall indemnify the relative Securityholders (as the case may be) in respect thereof PROVIDED THAT the obligations of the Guarantor under this subclause shall, as regards each payment or delivery made to any Securityholder which is avoided or set aside, be contingent upon such payment or delivery being reimbursed or returned to the Issuer or other persons entitled through the Issuer.

5. The Guarantor hereby agrees that its obligations hereunder shall be unconditional and that the Guarantor shall be fully liable irrespective of the validity, regularity, legality or enforceability against the Issuer of, or of any defence or counter-claim whatsoever available to the Issuer in relation to, its obligations under the Securities, whether or not any action has been taken to enforce the same or any judgment obtained against the Issuer, whether or not any of the other provisions of the Securities have been modified, whether or not any time indulgence, waiver, authorisation or consent has been granted to the Issuer by or on behalf of the relative Securityholders, whether or not there have been any dealings or transactions between the Issuer and any of the relative Securityholders, whether or not the Issuer has been dissolved, liquidated, merged, consolidated, bankrupted or has changed its status, functions, control or ownership, whether or not the Issuer has been prevented from making payments by foreign exchange provisions applicable at its place of registration or incorporation and whether or not any other circumstances have occurred which might otherwise constitute a legal or equitable discharge of or defence to a guarantor. Accordingly, the validity of this guarantee shall not be affected by reason

of any invalidity, irregularity, illegality or unenforceability of all or any of the obligations of the Issuer under these presents and this guarantee shall not be discharged nor shall the liability of the Guarantor under these presents be affected by any act, thing or omission or means whatever whereby its liability would not have been discharged if it had been the principal debtor or obligor.

6. The Guarantor shall, without the consent of the Warrantholders, be entitled at any time to substitute any other company (the "**Substitute Guarantor**") as guarantor in respect of all obligations of the Issuer in respect of the Warrants subject to compliance with the terms of Warrant Condition 12.2.

7. The Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of dissolution, liquidation, merger or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, protest or notice with respect to the relative Securities or the indebtedness evidenced thereby and all demands whatsoever and hereby covenants that this Guarantee shall be a continuing guarantee, which shall not be discharged except by complete performance of the obligations contained in the Securities in relation to the relative Securities.

8. If any moneys shall become payable and/or any Relevant Obligations due by the Guarantor under this Guarantee, the Guarantor shall not, so long as the same remain unpaid:

   (a) in respect of any amounts paid by it under this Guarantee, exercise any rights of subrogation against the Issuer or any other right or remedy which may accrue to it in respect of or as a result of any such payment; or

   (b) in respect of any other moneys for the time being due to the Guarantor by the Issuer, claim payment thereof or exercise any other right or remedy,

   (including in either case claiming the benefit of any security or right of set-off or, on the liquidation of the Issuer, proving in competition with Securityholders). If, notwithstanding the foregoing, upon the bankruptcy, insolvency or liquidation of the Issuer any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities, shall be received by the Guarantor before payment of all amounts and performance of all Relevant Obligations in full on the relative Securities issued by the Issuer shall have been made to the relative Securityholders, such payment or distribution shall be received by the Guarantor on trust to pay the same over immediately to the Issuing and Principal Paying Agent, in the case of N&C Securities or the Principal Warrant Agent, in the case of Warrants, for application in or towards the payment of all sums due and remaining unpaid under the Securities.

9. The obligations of the Guarantor under this Guarantee are direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and rank *pari passu* with all other present and future unsecured and unsubordinated obligations (including those arising under deposits received in its banking business) of the Guarantor, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.

10. This Guarantee shall ensure for the benefit of the Securityholders and shall be deposited with and held by Citibank N.A. as the Principal Paying Agent for N&C Securities and Principal Warrant Agent for Warrants.

11. This Guarantee and any non-contractual obligations arising out of or in connection with this Guarantee are governed by, and construed in accordance with, the English law. The English courts, have exclusive jurisdiction to settle any disputes arising out of or in connection with this Guarantee, including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequence of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with this Guarantee (a "**Dispute**") and the Guarantor submits to the exclusive jurisdiction of the English Courts. For the purposes of this Clause 11, the Guarantor waives any objection to the English Courts on the grounds that they are an inconvenient or inappropriate forum to settle any dispute.

IN WITNESS whereof this Guarantee has been entered into as a deed by the Guarantor on the date which appears first on page 1.

THE COMMON SEAL of	)
SANTANDER UK PLC	)
was affixed to this deed	)
in the presence of:	)

.....
Title:

FORM OF THE SECURITIES

Words and expressions defined in the "Terms and Conditions of the N&C Securities" or the "Terms and Conditions of the Warrants", as applicable, shall have the same meanings in this Form of the Securities.

Form of the N&C Securities

Other than in the case of Book-Entry Interests, CDIs (each as defined below) and Definitive Registered N&C Securities, the N&C Securities of each Series will initially be represented by a global security in bearer form, with or without interest coupons attached. Bearer N&C Securities will be issued outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**") and Immobilised Bearer N&C Securities of certain issues may be issued through the Book-Entry Depositary (as defined below). In addition, interests in Immobilised Bearer N&C Securities of certain issues may not at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person and may not be legally or beneficially owned at any time by any U.S. person ("**Permanently Restricted N&C Securities**"). Accordingly, Permanently Restricted N&C Securities may only be offered and sold in offshore transactions outside the United States to non-U.S. persons in reliance on Regulation S.

Bearer N&C Securities

Each Tranche of Bearer N&C Securities will be initially represented by either a temporary bearer global N&C Security (a "**Temporary Bearer Global N&C Security**") or a permanent bearer global N&C Security (a "**Permanent Bearer Global N&C Security**" and, together with the Temporary Bearer Global N&C Security, the "**Bearer Global N&C Securities**") as indicated in the applicable Issue Terms of the N&C Securities, which, in either case, will:

(i) if the Bearer Global N&C Securities are intended to be issued in new global note ("**NGN**") form, as stated in the applicable Issue Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"); or

(ii) if the Bearer Global N&C Securities are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg or to Clearstream Banking AG, Frankfurt ("**Clearstream, Frankfurt**"), as the case may be.

Where the Global N&C Securities issued in respect of any Tranche are in NGN form, the applicable Issue Terms will also indicate whether such Global N&C Securities are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global N&C Securities are to be so held does not necessarily mean that the Securities 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, as indicated in the applicable Issue Terms.

In the case of each Tranche of Securities in bearer form the relevant Issue Terms will specify whether U.S. Treasury Regulation § 1.163-5(c)(2)(i)(C) (**TEFRA C**) or U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (**TEFRA D**) apply in relation to the Securities, or if the Securities do not have a maturity of more than one year, that TEFRA does not apply.

Whilst any Bearer N&C Security is represented by a Temporary Bearer Global N&C Security, payments of principal, interest (if any) and any other amount payable in respect of the N&C Securities due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global N&C Security (if the Temporary Bearer Global N&C Security is not intended to be issued in NGN form) only to the extent that certification to the effect that the beneficial owners of interests in such Bearer N&C Security 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 Euroclear and/or Clearstream, Luxembourg and/or Clearstream, Frankfurt and Euroclear and/or Clearstream, Luxembourg and/or Clearstream, Frankfurt, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent. If a Permanent Bearer Global N&C Security is issued directly (rather than exchanged from a Temporary Bearer Global N&C Security), then that issuance must, on the earlier of the date of the first payment of interest by the issuer or the

date of delivery by the issuer of the obligation in definitive form, comply with the same certification requirements as a Temporary Bearer Global N&C Security, described above.

In respect of each Tranche of N&C Securities in respect of which a Temporary Bearer Global N&C Security is issued, on and after the date (the "**Exchange Date**") which is 40 days after the Temporary Bearer Global N&C Security is issued, interests in such Temporary Bearer Global N&C Security will be exchangeable (free of charge) upon a request as described therein for either:

(i) interests in a Permanent Bearer Global N&C Security of the same Series; or

(ii) Definitive Bearer N&C Securities (as defined in the General Terms and Conditions of the N&C Securities) of the same Series (as defined in the General Terms and Conditions of the N&C Securities) with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Issue Terms and subject, in the case of Definitive Bearer N&C Securities, to such notice period as is specified in the applicable Issue Terms).

In each case such exchange shall be made against certification of non-U.S. beneficial ownership as described above, unless such certification has already been given. Purchasers in the United States and certain U.S. persons will not be able to receive Definitive Bearer N&C Securities or interests in a Permanent Bearer Global N&C Security. The holder of a Temporary Bearer Global N&C Security will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due presentation and certification, exchange of the Temporary Bearer Global N&C Security for an interest in a Permanent Bearer Global N&C Security or for Definitive Bearer N&C Securities is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global N&C Security will be made through Euroclear and/or Clearstream, Luxembourg and/or Clearstream, Frankfurt, as applicable, against presentation or surrender (as the case may be) of the Permanent Bearer Global N&C Security (if the Permanent Bearer Global N&C Security is not intended to be issued in NGN form) without any requirement for certification.

The applicable Issue Terms will specify that a Permanent Bearer Global N&C Security will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer N&C Securities with, where applicable, receipts, interest coupons and talons attached upon either:

(1) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg or Clearstream, Frankfurt, as applicable, (acting on the instructions of any holder of an interest in such Permanent Bearer Global N&C Security) to the Principal Paying Agent, or

(2) only upon the occurrence of an Exchange Event (as defined below).

No Definitive Bearer N&C Securities will be sent by post or otherwise delivered to any location in the United States or its possessions in connection with such exchange.

For these purposes, "**Exchange Event**" means that:

(1) an Event of Default (as defined in N&C Security Condition 10 (Events of Default)) has occurred and is continuing;

(2) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg (in respect of Securities settled through Euroclear and Clearstream, Luxembourg) or Clearstream, Frankfurt (in respect of Securities settled through Clearstream, Frankfurt) have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no alternative clearing system satisfactory to the Issuer and the Principal Paying Agent is available; or

(3) the Issuer or the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the N&C Securities represented by the Permanent Bearer Global N&C Security in definitive form.

The Issuer will promptly give notice to the Securityholders in accordance with N&C Security Condition 14 (Notices) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or Clearstream, Frankfurt, as the case may be, (acting on the instructions of any holder of an interest in such Permanent Bearer Global N&C Security) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (3) above, the Issuer or the Guarantor may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Global N&C Securities which have an original maturity of more than 1 year and on all receipts, talons and interest coupons relating to such N&C Securities unless the relevant Issue Terms indicate that TEFRA C applies or TEFRA does not apply:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

N&C Securities which are represented by a Bearer Global N&C Security will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

In relation to any Tranche of N&C Securities under the Programme, the Issuer may issue N&C Securities of a minimum authorised denomination of (a) €100,000 or (b) €50,000 and integral multiples of €1,000 (or such other amount as is specified in the applicable Issue Terms) in excess thereof up to and including (i) in the case of N&C Securities with a minimum authorised denomination of €100,000, €199,000 and (ii) in the case of N&C Securities with a minimum authorised denomination of €50,000, €99,000 (or such other amount as is specified in the applicable Issue Terms). In such case, no N&C Securities in definitive form will be issued with a denomination above €199,000 or €99,000 respectively (or such other amount as is specified in the applicable Issue Terms). So long as such N&C Securities are represented by a Temporary Bearer Global N&C Security or Permanent Bearer Global N&C Security and the relevant clearing systems so permit, the N&C Securities will be tradeable only in the relevant minimum authorised denomination and higher integral multiples of €1,000 (or such other amount as is specified in the applicable Issue Terms), notwithstanding that no Definitive Bearer N&C Securities will be issued with a denomination above €199,000 or €99,000 as applicable (or such other amount as is specified in the applicable Issue Terms).

If a Global Bearer N&C Security is exchangeable for a Definitive Bearer N&C Security at the option of the Securityholders, the N&C Securities shall be tradeable only in principal amounts of at least the Specified Denomination (as defined in the General Terms and Conditions of the N&C Securities) (or if more than one Specified Denomination, the lowest Specified Denomination).

Immobilised Bearer N&C Securities

Interests in N&C Securities to be issued as bearer securities in immobilised form ("**Immobilised Bearer N&C Securities**") of certain issues that may not at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, a U.S. person will initially be represented by a global security in bearer form (a "**Permanently Restricted Global N&C Security**" or an "**Immobilised Bearer Global N&C Security**"). Any offer, sale, resale, trade, pledge, redemption, transfer or delivery of an interest in a Permanently Restricted Global N&C Security made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. Interests in Permanently Restricted Global N&C Securities may not be legally or beneficially owned at any time by any U.S. person and accordingly may only be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. Interests in a Permanently Restricted Global N&C Security may not be held otherwise than through Euroclear or Clearstream, Luxembourg, and such Permanently Restricted Global N&C Securities will bear a legend regarding such restrictions on transfer.

The Immobilised Bearer Global N&C Securities will initially be issued in bearer form, without interest coupons, and title thereto will pass by delivery. Pursuant to an N&C securities depositary agreement (such agreement as amended and/or supplemented and/or restated from time to time, the "**N&C Securities Depositary Agreement**") dated on or about the date of this Base Prospectus between the Issuer, Citibank, N.A., London Branch (the "**Book-Entry Depositary**"), Citibank, N.A., London Branch (the "**Custodian**") and Citigroup Global Markets Deutschland AG (the "**Registrar**"), the Immobilised Bearer Global N&C Securities of each Series will on issue be deposited with the Book-Entry Depositary and held by the Custodian on behalf of the Book-Entry

Depositary. If any Securities are issued as Immobilised Bearer Global N&C Securities, then the entire Series of which they form part will be issued as Immobilised Bearer Global N&C Securities.

In respect of Immobilised Bearer Global N&C Securities to be settled through Euroclear and/or Clearstream, Luxembourg ("**Permanently Restricted Immobilised Bearer Global N&C Securities**") which are deposited with the Book-Entry Depositary, the Book-Entry Depositary will issue registered certificated depositary interests ("**CDIs**") to a common depositary for Euroclear and Clearstream, Luxembourg, or its nominee, and will record the CDIs in the books and records of the Registrar in the name of the common depositary or its nominee, as applicable. Ownership of interests in the Permanently Restricted Immobilised Bearer Global N&C Securities deposited with the Book-Entry Depositary (the "**Book-Entry Interests**") will be limited to persons with an account with Euroclear and/or Clearstream, Luxembourg or persons who may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be affected only through records maintained in book-entry form by Euroclear and/or Clearstream, Luxembourg and their participants.

Subject as set out below, the Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream, Luxembourg (as applicable) will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Immobilised Bearer N&C Securities are in global form, holders of Book-Entry Interests will not be considered the owners or holders of such N&C Securities for any purpose.

Interests in an Immobilised Bearer Global N&C Security will be exchangeable (free of charge), in whole but not in part, for N&C Securities in definitive registered form without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means:

(i) an Event of Default has occurred and is continuing;

(ii) in the case of Immobilised Bearer N&C Securities registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that (x) either Euroclear or Clearstream, Luxembourg is unwilling or unable to continue to act as depositary for the N&C Securities and no alternative clearing system is available or (y) both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available;

(iii) the Book-Entry Depositary is at any time unwilling or unable to continue as Book-Entry Depositary in respect of any Immobilised Bearer N&C Securities or its appointment as such under the N&C Securities Depositary Agreement is (or is to be) terminated and no successor is appointed by the Issuer within 90 days; or

(iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the N&C Securities represented by the Global N&C Security in definitive registered form.

The Issuer will promptly give notice to Securityholders in accordance with N&C Security Condition 14 (Notices) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Immobilised Bearer Global N&C Security) may give notice to the Registrar (or request that the Principal Paying Agent does so) requesting exchange and, in the event of the occurrence of an Exchange Event as described in (v) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

In such an event, the Issuer (or the Registrar on behalf of the Issuer) will exchange the Book-Entry Interests in the relevant Immobilised Bearer Global N&C Security for N&C Securities in definitive form, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, Luxembourg, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and which may bear a restrictive legend unless such legending is not required by applicable law.

To the extent permitted by law, the Issuer, the Principal Paying Agent and the Registrar shall be entitled to treat the holder of any N&C Security as the absolute owner thereof.

Transfer of Interests

Pursuant to the N&C Securities Depositary Agreement, the Immobilised Bearer Global N&C Securities may be transferred only to a successor to the relevant Book-Entry Depositary.

Unless and until Book-Entry Interests are exchanged for N&C Securities in definitive registered form, the CDIs held for the common depositary for Euroclear and Clearstream, Luxembourg may not be transferred except as a whole to a nominee or a successor approved by the Issuer.

All transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream, Luxembourg will be effected by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, Luxembourg and their respective participants.

A Book-Entry Interest in an Permanently Restricted Global Immobilised Bearer N&C Security may not be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, a U.S. Person, and any offer, sale, resale, trade, pledge, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. Person will not be recognised.

Book-Entry Interests in an Immobilised Bearer Global N&C Security may be exchanged for N&C Securities in definitive registered form upon receipt by the Registrar of instructions from the Principal Paying Agent. It is expected that such instructions of the Principal Paying Agent will be based upon directions received by Euroclear or Clearstream, Luxembourg, as applicable, from the participant which owns the relevant Book-Entry Interests. N&C Securities in a definitive registered form issued in exchange for a Book-Entry Interest will be subject to certain restrictions and will bear the legend provided for in the Agency Agreement and N&C Securities Depositary Agreement.

Immobilised Bearer N&C Securities are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions. See "*Subscription and Sale*".

General

Pursuant to the Agency Agreement (as defined under the General Terms and Conditions of the N&C Securities), the Principal Paying Agent shall arrange that, where a further Tranche of N&C Securities is issued which is intended to form a single Series with an existing Tranche of N&C Securities at a point after the Issue Date of the further Tranche, the N&C Securities of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to N&C Securities of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of any applicable period that by law or regulation would require such N&C Securities of such Tranche not to be fungible.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or Clearstream, Frankfurt shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Issue Terms or, in the case of Exempt Securities as may otherwise be approved by the Issuer and the Principal Paying Agent, as the case may be.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or Clearstream, Frankfurt shall, whenever the context so permits, except in relation to N&C Securities issued in NGN form, be deemed to include a reference to any successor operator and/or successor clearing system and/or any additional or alternative clearing system specified in the applicable Issue Terms.

Any reference herein to the common depositary, depositary or, as applicable, common safekeeper shall, whenever the context so permits, be deemed to include references to any successor common depositary, depositary or, as applicable, common safekeeper or any additional or alternative common depositary, depositary or, as applicable, common safekeeper as is approved by the Issuer, the Guarantor and the Principal Paying Agent and the Registrar.

Any reference herein to the nominee or, as applicable, common nominee shall, whenever the context so permits, be deemed to include references to any successor nominee or, as applicable, common nominee or any additional or alternative nominee or, as applicable, common nominee as is approved by the Issuer, the Guarantor, the Principal Paying Agent and the Registrar.

The Issuer and the Guarantor may agree with any Dealer that Securities may be issued in a form not contemplated by the Conditions, in which event, other than where such Securities are Exempt Securities, a supplement to this base prospectus or a new prospectus or prospectus will be made available which will describe the effect of the agreement reached in relation to such Securities.

Form of the Warrants

Each Series of Warrants will be in registered form and will be represented by a Permanent Global Warrant which will be deposited with a depositary (a "**Common Depositary**") on behalf of Euroclear and Clearstream, Luxembourg. Definitive Warrants will not be issued.

USE OF PROCEEDS

The net proceeds from each issue of Securities will be applied by the Issuer for its general corporate purposes. If, in respect of an issue, there is a particular identified use of proceeds, this will be stated in the applicable Issue Terms.

BOOK-ENTRY CLEARANCE SYSTEMS AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or Clearstream, Frankfurt (together, the "**Clearance Systems**") currently in effect. The information in this section concerning the Clearance Systems has been obtained from sources that the Issuer and the Guarantor believe to be reliable. The Issuer and the Guarantor accept responsibility for the information contained in this section. Each of the Issuer and the Guarantor confirms that the information contained in this section has been accurately reproduced as far as each of the Issuer and the Guarantor is aware and is able to ascertain from information published by the above sources, and that no facts have been omitted which would render the reproduced information inaccurate or misleading. Investors wishing to use the facilities of any of the Clearance Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearance System. None of the Issuer, the Guarantor, the Dealers and the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Securities held through the facilities of any Clearance System or for maintaining, supervising or reviewing any records or payments relating to such beneficial ownership interests.*

Book-entry Systems

Euroclear and Clearstream, Luxembourg

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

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

Immobilised Bearer Global N&C Securities

Payments of any amounts owing in respect of Immobilised Bearer Global N&C Securities (including principal and interest, if any) will be made by the Issuer in the Specified Currency to the relevant Paying Agent. The relevant Paying Agent will, in turn, make such payments to or to the order of the Book-Entry Depositary in its capacity as bearer of the relevant Immobilised Bearer Global N&C Securities. Upon receipt of such amounts, the Book-Entry Depositary will pay the amounts so received to the common depositary for Euroclear and Clearstream, Luxembourg, as applicable, which will distribute payments to participants in accordance with their procedures, as detailed above.

The Issuer will treat the bearer of the Immobilised Bearer Global N&C Securities as the owner thereof for the purposes of receiving payments and for all other purposes. None of the Issuer, the Book-Entry Depositary or any agent of the Issuer has or will have any responsibility or liability for:

(a) any aspect of the records of Euroclear, Clearstream, Luxembourg or any direct or indirect participant relating to, or payments made on account of, a Book-Entry Interest in any Immobilised Bearer Global N&C Securities or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream, Luxembourg or any direct or indirect participant relating to, or payments made on account of, a Book-Entry Interest in any Immobilised Bearer Global N&C Securities; or

(b) Euroclear, Clearstream, Luxembourg or any direct or indirect participant.

Transfers of Securities Represented by Global Securities

Transfers of any interests in Securities represented by a Global Security or a CDI within Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant Clearance System and, in the case of CDIs, in accordance with the provisions of the N&C Securities Depositary Agreement.

On or after the Issue Date for any Series, transfers of Securities of such Series between accountholders in Euroclear and Clearstream, Luxembourg will generally have a settlement date three business days after the trade date. The customary arrangements for delivery versus payment will apply to such transfers.

Euroclear and Clearstream, Luxembourg have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Securities in bearer form among participants and accountholders of Euroclear and Clearstream, Luxembourg. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Guarantor, the Agents or any Dealer will be responsible for any performance by Euroclear or Clearstream, Luxembourg or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Securities represented by Global Securities in bearer form or for maintaining, supervising or reviewing any records relating to such beneficial interests.

The Issuer will not be responsible for the operation of the clearing arrangements which is a matter for the clearing institutions, their nominees, their participants and the investors.

Euroclear UK & Ireland Limited

Following their delivery into a clearing system, interests in N&C Securities may be delivered, held and settled in Euroclear UK & Ireland Limited (formerly known as CRESTCo Limited) ("**CREST**") by means of the creation of dematerialised depository Interests ("**CREST Depository Interests**") representing the interests in the relevant N&C Securities ("**Underlying Securities**"). The CREST Depository Interests will be issued by CREST Depository Limited or any successor thereto (the "**CREST Depository**") to holders of the CREST Depository Interests and will be constituted and governed by English law. CREST International Nominees Limited or another entity appointed to act as nominee in accordance with the CREST Deed Poll (the "**CREST Nominee**") will hold the legal title to the Underlying Securities and the direct enforcement right in respect of the Underlying Securities.

The CREST Depository Interests will represent indirect interests in the interest of the CREST Nominee in the Underlying Securities. Pursuant to the CREST Manual (as defined below), N&C Securities held in global form by the Common Depositary may be settled through CREST, and the CREST Depository will issue CREST Depository Interests. The CREST Depository Interests will be independent securities which may be held and transferred through CREST.

Interests in the Underlying Securities will be credited to the CREST Nominee's account with Euroclear and the CREST Nominee will hold such interests as nominee for the CREST Depository which will issue CREST Depository Interests to the relevant CREST participants.

Each CREST Depository Interest will be treated by the CREST Depository as if it were one Underlying Security, 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 CREST Depository Interests any interest or other amounts received by it as holder of the Underlying Securities on trust for such holder. Holders of CREST Depository Interests will also be able to receive from the CREST Depository notices of meetings of holders of Underlying Securities and other relevant notices issued by the Issuer or the Guarantor (as the case may be).

Transfers of interests in Underlying Securities by a CREST participant to a participant of Euroclear or Clearstream, Luxembourg will be effected by cancellation of the CREST Depository Interests and transfer of an interest in such N&C Securities underlying the CREST Depository Interests to the account of the relevant participant with Euroclear or Clearstream, Luxembourg. The CREST Depository Interests will have the same ISIN as the ISIN of the Underlying Securities and will not require a separate listing on the Official List of the Irish Stock Exchange or the Official List of the United Kingdom Listing Authority.

Holders of CREST Depository Interests are referred to Chapter 3 of the CREST Manual which contains the form of the CREST Deed Poll to be entered into by the CREST Depository. The rights of the holder of CREST Depository Interests will be governed by the

arrangements between CREST, Euroclear, Clearstream, Luxembourg and the Issuer including the CREST Deed Poll executed by the CREST Depository. These rights may be different from those of holders of N&C Securities which are not represented by CREST Depository Interests.

If issued, CREST Depository Interests 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 CREST Depository Interests by means of the CREST International Settlement Links Service has the following consequences for holders of CREST Depository Interests:

(i) holders of CREST Depository Interests will not be the legal owners of the Underlying Securities. The CREST Depository Interests are separate legal instruments from the Underlying Securities to which they relate and represent an indirect interest in such Underlying Securities;

(ii) the Underlying Securities themselves (as distinct from the CREST Depository Interests representing indirect interests in such Underlying Securities) will be held in an account with a custodian. The custodian will hold the Underlying Securities through a clearing system. Rights in the Underlying Securities will be held through custodial and depositary links through the appropriate clearing systems. The legal title to the Underlying Securities or to interests in the Underlying Securities will depend on the rules of the clearing system in or through which the Underlying Securities are held;

(iii) rights under the Underlying Securities cannot be enforced by holders of CREST Depository Interests except indirectly through the intermediary depositaries and custodians described above. The enforcement of rights under the Underlying Securities will therefore be subject to the local law of the relevant intermediary. The rights of holders of CREST Depository Interests to the Underlying Securities are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Securities. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Securities in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Securities 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;

(iv) the CREST Depository Interests issued to holders of CREST Depository Interests will be constituted and issued pursuant to the CREST Deed Poll. Holders of CREST Depository Interests will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to, the CREST International Manual dated 14 April 2008 as amended, modified, varied or supplemented from time to time (the "**CREST Manual**") and the CREST Rules (the "**CREST Rules**") (contained in the CREST Manual) applicable to the CREST International Settlement Links Service and such holders must comply in full with all obligations imposed on them by such provisions;

(v) the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by holders of CREST Depository Interests and limitations on the liability of the issuer of the CREST Depository Interests, the CREST Depository;

(vi) holders of CREST Depository Interests 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 holders is drawn to the terms of the CREST Deed Poll, the CREST Manual and the CREST Rules, copies of which are available from CREST at 33 Cannon Street, London EC4M 5SB or by calling +44 (0) 207 849 0000 or from the CREST website at www.euroclear.com/site/public/EUI;

(vii) holders of CREST Depository Interests 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 N&C Securities through the CREST International Settlement Links Service;

(viii) neither the Issuer, the Guarantor, the Dealer nor any Paying Agent 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; and

(ix) N&C Securities issued in temporary global form exchangeable for a Permanent Global Bearer N&C Security will not be eligible for CREST settlement as CREST Depository Interests. As such, investors investing in the Underlying Securities through CREST Depository Interests will only receive the CREST Depository Interests after such Temporary Bearer Global N&C Security is exchanged for a Permanent Bearer Global N&C Security, which could take up to 40 days after the issue of the N&C Securities.

TAXATION

1. United Kingdom Taxation

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

Payment of Interest on the N&C Securities

Withholding on account of United Kingdom tax

The Issuer, provided that it continues to be a bank for the purposes of section 991 of the Income Tax Act 2007 ("**ITA 2007**") and provided that the interest on the N&C Securities is paid in the ordinary course of its business within the meaning of section 878 of ITA 2007, will be entitled to make payments of interest without withholding or deduction for or on account of United Kingdom income tax. Interest will not be regarded as paid in the ordinary course of business where the borrowing relates to the capital structure of the bank. Borrowing relates to the capital structure if it is within the definitions of Tier 1, 2 or 3 capital adopted by the FSA, whether or not the borrowing actually counts towards Tier 1, 2 or 3 capital for regulatory purposes.

Payments of interest on the N&C Securities may be made without deduction of or withholding on account of United Kingdom income tax provided that the N&C Securities continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of ITA 2007. The London Stock Exchange is a recognised stock exchange. N&C 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 N&C Securities remain so listed, interest on the N&C Securities will be payable without withholding or deduction on account of United Kingdom tax whether or not the Issuer carries on a banking business in the United Kingdom and whether or not the interest is paid in the ordinary course of its business.

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

Interest on the N&C Securities may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the N&C Securities is less than 365 days and these N&C Securities 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 N&C Securities on account of United Kingdom income tax at the basic rate (currently 20.00 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 holder of an N&C Security, HMRC can issue a notice to the Issuer to pay interest to the holder of an N&C Security without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Payments in respect of the Warrants

Withholding on account of United Kingdom tax

Payments made on the exercise of Warrants may be made without deduction or withholding on account of United Kingdom income tax where such payments are not regarded as interest for United Kingdom tax purposes.

Even if such payments were to be regarded as interest for United Kingdom tax purposes, payments made by the Issuer on the exercise of Warrants issued by the Issuer may be made without deduction or withholding on account of United Kingdom income tax, provided that the Issuer continues to be a bank within the meaning of section 991 of ITA 2007, and provided that any such interest is paid in the ordinary course of its business as discussed above.

Furthermore, the Issuer should not be required to deduct sums for or on account of United Kingdom income tax from payments made on the exercise of Warrants issued by the Issuer which are derivative contracts, the profits and losses arising from which are calculated in accordance with the provisions of Part 7 of the Corporation Tax Act 2009.

Taxation of Profits and Gains of United Kingdom resident individuals

Capital gains tax

Gains arising to an individual as a result of acquiring then exercising or otherwise disposing of a "qualifying option" are generally charged to tax under the capital gains tax rules in the Taxation of Chargeable Gains Act 1992 ("**TCGA 1992**"). Options which are listed on a recognised stock exchange at the time of disposal are qualifying options. The Warrants will satisfy this listing requirement if they are at the time of disposal 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 Warrants are options and remain so listed, an individual holding such a Warrant (a "**Qualifying Warrant**") should be charged to tax on any gain made on the disposal of the Qualifying Warrant under the capital gains tax rules in TCGA 1992, described below. This means that such a Warrantholder should, on the disposal of a Qualifying Warrant, be entitled to make a tax-free gain in any tax year equal to the annual exempt amount (which is £10,900 for the tax year 2013-14), assuming the annual exemption has not been utilised in relation to another gain in the same year.

The base cost of a Qualifying Warrant for capital gains tax purposes will generally be calculated by reference to the amount paid for a Qualifying Warrant by a Warrantholder. Accordingly, on the disposal of a Qualifying Warrant by sale, a Warrantholder should, subject to the availability of the annual exempt amount (see above), be charged to capital gains tax on the chargeable gain arising on the disposal (calculated by comparing the amount received on disposal with the base cost).

In the case of a Physical Delivery Warrant, the acquisition of the Qualifying Warrant and the acquisition of a new asset on the exercise of such a Qualifying Warrant is treated as a single transaction for capital gains tax purposes, so that, the base cost of the new asset is calculated by reference to the amount paid for the Qualifying Warrant plus the amount paid for the new asset. The exercise of such a Qualifying Warrant is not treated as a disposal of the Warrant. Accordingly, no charge to capital gains tax will arise on the exercise of such a Qualifying Warrant. However, a disposal of the new asset acquired on the exercise of a Warrant may give rise to a charge to capital gains tax, if a gain arises on that disposal.

In the case of a Cash Settled Warrant, the exercise of the Qualifying Warrant will be treated as a disposal. The cash amount received on the exercise will be treated as the consideration for the disposal. The amount paid for a Qualifying Warrant will be treated as the base cost for the purposes of calculating any capital gain arising on the exercise of the Qualifying Warrant.

Warrants that are not Qualifying Warrants for example because they are not options for tax purposes may be taxed in a different way to Qualifying Warrants.

Warrants producing a return economically equivalent to interest

Any Warrant which produces a return that is economically equivalent to interest would not be taxed in accordance with the rules described above. The return arising from such a Warrant would be charged to income tax under Chapter 2A of Part 4 of the Income Tax (Trading and Other Income) Act 2005, without the benefit of the annual exempt amount.

*Individual Savings Accounts ("**ISAs**"), Self-invested Personal Pensions ("**SIPPs**") and Small Self-administered Schemes ("**SSASs**")*

Warrants will not qualify for inclusion within an ISA.

The Warrants should generally be capable of being held within a SIPP or a SSAS that is a registered pension scheme. However, Warrantholders should obtain independent advice in relation to the tax treatment of Warrants held within such a SIPP or SSAS.

Taxation of Profits and Gains of United Kingdom resident companies

Part 7 of the Corporation Tax Act 2009 applies to "derivative contracts" of United Kingdom resident companies and of United Kingdom permanent establishments of non-UK resident companies. Subject to certain exceptions, where Part 7 applies to a contract, all income, profits and gains will generally be taxed on an income basis (whether they arise from acquiring, holding, disposing or exercising rights under the contract) consistently with the way those profits are recognised in accordance with United Kingdom generally accepted accounting practice or international financial reporting standards. Accordingly, any income, profit or gains in relation to Warrants which fall within the derivative contracts tax regime in Part 7 will generally be charged to tax as income.

Warrants which are not treated as derivative contracts and which are not taxed on an income basis should generally be taxed in accordance with the capital gains rules set out above under the heading "Capital gains tax" except that companies do not benefit from an annual exemption. United Kingdom companies may be entitled to an indexation allowance on the disposal of a Warrant.

Stamp Duty and Stamp Duty Reserve Tax ("SDRT") in respect of the Securities

A charge to stamp duty or SDRT may, in certain circumstances, arise on the issue, transfer and/or settlement of Securities and SDRT may also be payable in relation to any agreement to transfer Securities. This will depend upon the Terms and Conditions of the relevant Securities (as supplemented by the applicable Final Terms or, in the case of Exempt Securities, as amended and supplemented by the applicable Pricing Supplement). Securityholders should take their own advice from an appropriately qualified professional adviser in this regard.

Reporting of information

HMRC has powers, in certain circumstances, to obtain information about: payments derived from securities (whether income or capital); certain payments of interest (including the amount payable on the redemption of a deeply discounted security); and securities transactions.

The persons from whom HMRC can obtain information include: a person who receives (or is entitled to receive) a payment derived from securities; a person who makes such a payment (received from, or paid on behalf of another person); a person by or through whom interest is paid or credited; a person who effects or is a party to securities transactions (which includes an issue of securities) on behalf of others; registrars or administrators in respect of securities transactions; and each registered or inscribed holder of securities.

The information HMRC can obtain includes: details of the beneficial owner of securities; details of the person for whom the securities are held, or the person to whom the payment is to be made (and, if more than one, their respective interests); information and documents relating to securities transactions; and, in relation to interest paid or credited on money received or retained in the United Kingdom, the identity of the security under which interest is paid. HMRC is generally not able to obtain information (under its power relating solely to interest) about a payment of interest to (or a receipt for) a person that is not an individual. This limitation does not apply to HMRC's power to obtain information about payments derived from securities.

HMRC has indicated that it will not use its information-gathering power on interest to obtain information about amounts payable on the redemption of deeply discounted securities which are paid before 6 April 2014.

In certain circumstances the information which HMRC has obtained using these powers may be exchanged with tax authorities in other jurisdictions.EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (which has been implemented into UK law) Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during such period they elect otherwise) to impose 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 1 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.

2. Irish Taxation

The following is a summary of the Irish withholding tax treatment of the Securities. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities. The summary relates only to the position of Irish withholding taxes on the Securities.

The summary is based upon Irish tax laws and the practice of the Revenue Commissioners of Ireland as in effect on the date of this Base Prospectus. Prospective investors in the Securities should consult their own advisers as to the Irish or other tax consequences of the purchase, beneficial ownership and disposition of the Securities including, in particular, the effect of any state or local law taxes.

Irish Withholding Tax

Irish withholding tax applies to certain payments including payments of:

- Irish source yearly interest (i.e. interest that is capable of arising for a period in excess of one year);
- Irish source annual payments (annual payments are payments that are capbable of being made over a period in excess of one year and are pure income-profit in the hands of the recipient); and
- Distributions (including interest that is treated as a distribution under Irish law) made by Irish resident companies, at the standard rate of income tax (currently 20 per cent.).

On the basis that the Issuer is not resident in Ireland for the purposes of Irish tax, nor does the Issuer operate in Ireland through a branch or agency with which the issue of the Securities is connected, nor are the Securities held in Ireland through a depository, or otherwise located in Ireland, then to the extent that payments of interest or annual payments arise on the Securities, such payments would not be regarded as payments having an Irish source for the purposes of Irish taxation.

Accordingly, the Issuer or any paying agent acting on behalf of the Issuer should not be obliged to deduct any amount on account of these Irish withholding taxes from payments made in connection with the Securities.

Separately, for as long as the Securities are quoted on a stock exchange, a purchaser of the Securities should not be obliged to deduct any amount on account of Irish tax from a payment made by it in connection with the purchase of the Securities.

Irish Encashment Tax

Payments on any Securities paid by a paying agent in Ireland or collected or realised by an agent in Ireland acting on behalf of the beneficial owner of the Securities may be subject to Irish encashment tax at the standard rate of Irish tax (currently 20 per cent.), unless it is proved, on a claim made in the required manner to the Revenue Commissioners of Ireland, that the beneficial owner of

the Securities entitled to the interest or distribution is not resident in Ireland for the purposes of Irish tax and such interest or distribution is not deemed, under the provisions of Irish tax legislation, to be income of another person that is resident in Ireland.

3. German Taxation

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of Securities. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Securities, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this Base Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

As each Series or Tranche of Securities may be subject to a different tax treatment due to the specific terms of such Series or Tranche of Securities as set out in the respective Issue Terms, the following section only provides some general information on the possible tax treatment.

Prospective purchasers of Securities are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of Securities, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

Tax Residents

The section "Tax Residents" refers to persons who are tax residents of Germany (i.e. persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Withholding tax on ongoing payments and capital gains

Ongoing payments received by an individual holder of the Securities will be subject to German withholding tax if the Securities are kept in a custodial account with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a "**Disbursing Agent**", *auszahlende Stelle*). The tax rate is 25 per cent. (plus solidarity surcharge at a rate of 5.5 per cent. thereon, the total withholding being 26.375 per cent.). Individuals subject to church tax may apply in writing for church tax to be levied by way of withholding also. Absent such application, such individuals have to include their investment income in their income tax return and will then be assessed to church tax. For German banks, an electronic information system for church withholding tax purposes will apply in relation to investment income received after 31 December 2014, with the effect that church tax will be collected by the Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the investor will be assessed to church tax.

The same treatment applies to capital gains (*i.e.* the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition) derived by an individual holder provided the Securities have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. Where Securities are issued in a currency other than Euro any currency gains or losses are part of the capital gains. If interest coupons or interest claims are disposed of separately (*i.e.* without the Securities), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the payment of interest coupons or interest claims if the Securities have been disposed of separately.

If Securities qualifying as a forward/futures transaction (*Termingeschäft*) according to sec. 20 para. 2 sent. 1 no. 3 German Income Tax Act (*Einkommensteuergesetz*) are settled by cash payment, capital gains realised upon exercise (*i.e.* the cash amount received minus directly related costs and expenses, *e.g.* the acquisition costs) are subject to withholding tax. In the event of physical delivery, the acquisition costs of such Securities plus any additional sum paid upon exercise are generally regarded as acquisition costs of the underlying assets received upon physical delivery. Withholding tax may then apply to any gain resulting from the subsequent disposal, redemption, repayment or assignment of the assets received. In case of certain assets being the underlying (*e.g.* commodities or currencies) a subsequent sale of the underlying received may not be subject to German withholding tax as outlined in this section but any disposal gain may be fully taxable at the personal income tax rate of the individual holder.

In case of a physical settlement of certain Securities (not qualifying as forward/futures transactions) which grant the Issuer or the holder the right to opt for a physical delivery of underlying securities instead of a money payment, the acquisition costs of the Securities may be regarded as proceeds from the disposal, redemption, repayment or assignment of the Securities and hence as acquisition costs of the underlying instruments received by the individual holder upon physical settlement; any consideration received by the holder in addition to the underlying instruments may be subject to withholding tax. To the extent the provision mentioned above is applicable, generally no withholding tax has to be withheld by the Disbursing Agent upon physical delivery as such exchange of the Securities into the underlying instruments does not result in a taxable gain for the individual holder. However, withholding tax may then apply to any gain resulting from the disposal, redemption, repayment or assignment of the instruments received in exchange for the Securities. In this case, the gain will be the difference between the proceeds from the disposal, redemption, repayment or assignment of the underlying instruments and the acquisition costs of the Securities (after deduction of expenses related directly to the disposal, if any).

To the extent the Securities have not been kept in a custodial account with the same Disbursing Agent since the time of their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 26.375 per cent. (including solidarity surcharge, plus church tax, if applicable) on 30 per cent. of the disposal proceeds (plus interest accrued on the Securities (*Stückzinsen*), if any), unless the current Disbursing Agent has been notified of the actual acquisition costs of the Securities by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Economic Area or certain other countries in accordance with art. 17 para. 2 of the Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**") (e.g. Switzerland or Andorra).

Pursuant to a tax decree issued by the German Federal Ministry of Finance dated 9 October 2012 a bad debtloss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a hidden capital contribution, shall not be treated like a disposal. Accordingly, losses suffered upon such bad debt-loss or waiver shall not be tax-deductible. The same rules should be applicable according to the said tax decree, if the Securities expire worthless so that losses may not be tax-deductible at all. A disposal of the Securities will only be recognised according to the view of the tax authorities, if the received proceeds exceed the respective transaction costs. Where the Securities provide for instalment payments, such instalment payments shall always qualify as taxable savings income, unless the terms and conditions of the Securities provide explicit information regarding redemption or partial redemption during the term of the Securities and the parties comply with these terms and conditions. It is further stated in the tax decree that, if, in the case of Securities providing for instalment payments, there is no final payment at maturity, the expiry of such Securities shall not be deemed as a sale, with the consequence that any remaining acquisition costs could not be deducted for tax purposes. Similarly, any remaining acquisition costs of the Securities providing for instalment payments shall not be tax-deductible if the Securities do not provide for a final payment or are terminated early without a redemption payment because the respective underlying has left the defined corridor or has broken certain barriers (e.g. in knock-out structures). Although the tax decree only refers to instruments with instalment payments, it cannot be excluded that the German tax authorities apply the above principles also to other kinds of full risk instruments.

In computing any German tax to be withheld, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realised by the individual holder of the Securities via the Disbursing Agent (*e.g.* losses from the sale of other securities with the exception of shares). The Disbursing Agent may also deduct accrued interest on the Securities or on other instruments paid separately upon the acquisition of the respective instruments via the Disbursing Agent. In addition, subject to certain requirements and restrictions the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding financial instruments held by the individual holder in the custodial account with the Disbursing Agent.

Individual holders may be entitled to an annual allowance (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples and for partners in accordance with the cohabiting partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly) for all investment income received in a given year. Upon the individual holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take the allowance into account when computing the amount of tax to be withheld. No withholding tax will be deducted if the holder of the Securities has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent local tax office.

German withholding tax will not apply to gains from the disposal, redemption, repayment or assignment of Securities held by a corporation as holder while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and capital losses incurred). The same may apply where the Securities form part of a trade or business or are related to income from letting and leasing of property, subject to further requirements being met.

Taxation of current income and capital gains

The personal income tax liability of an individual holder deriving income from capital investments under the Securities is, in principle, settled by the tax withheld. To the extent withholding tax has not been levied, such as in the case of Securities kept in custody abroad or if no Disbursing Agent is involved in the payment process, the individual holder must report his or her income and capital gains derived from the Securities on his or her tax return and then will also be taxed at a rate of 25 per cent. (plus solidarity surcharge and church tax thereon, where applicable). If the withholding tax on a disposal, redemption, repayment or assignment has been calculated from 30 per cent. of the disposal proceeds (rather than from the actual gain), an individual holder may and, if the actual gain is higher than 30 per cent. of the disposal proceeds, must also apply for an assessment on the basis of his or her actual acquisition costs. Further, an individual holder may request that all investment income for a given year is taxed at his or her lower individual tax rate based upon an assessment to tax with any amounts over withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemised basis is not permitted.

Losses incurred with respect to the Securities can only be off-set against investment income of the individual holder realised in the same or the following years. Any losses realised upon the disposal of shares in stock corporations received in exchange for the Securities can only be off-set against capital gains deriving from the disposal of shares.

Where Securities form part of a trade or business or the income from the Securities qualifies as income from the letting and leasing of property the withholding tax, if any, will not settle the personal or corporate income tax liability. Where Securities form part of a trade or business, interest accrued must be taken into account as income. Where Securities qualify as zero bonds and form part of a trade or business, each year the part of the difference between the issue or purchase price and the redemption amount attributable to such year must be taken into account. The respective holder will have to report income and related (business) expenses on the tax return and the balance will be taxed at the holder's applicable tax rate. Withholding tax levied, if any, will be credited against the personal or corporate income tax of the holder. Where Securities form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Securities may also be subject to German trade tax. Generally the deductibility of capital losses from the Securities which qualify for tax purposes as forward/futures transaction (*Differenzgeschäft*) is limited. These losses may only be applied against profits from other forward/futures transaction derived in the same or, subject to certain restrictions, the previous year. Otherwise these losses can be carried forward indefinitely and applied against profits from forward/futures transaction in subsequent years. This generally does not apply to forward/futures transactions hedging the holder's ordinary business. Further special rules apply to credit institutions, financial services institutions and finance companies within the meaning of the German Banking Act.

In the case of physically settled Securities special limitations may apply to losses from the disposal of an underlying which is a share in a corporation.

German Investment Taxation

German tax consequences different from those discussed above would arise if the respective Securities or the underlying securities delivered upon physical delivery were to be regarded as investment fund units within the meaning of the German Investment Tax Act (*Investmentsteuergesetz*). In such case, the withholding tax requirements for the Disbursing Agent as well as the taxation of the holder would depend on whether the disclosure and reporting requirements of the German Investment Tax Act were fulfilled. The holder of the Securities may be subject to tax on unrealised income or, in case the reporting and disclosure requirements are not fulfilled, on income deemed received on a lump-sum basis. Such income may be off-set against any capital gains realised upon disposal of the Securities or the underlying securities received, respectively, subject to certain requirements.

Following the implementation of the directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers into German law, the German investment taxation rules are expected to be amended. Such future amendments might result in a taxation of purchase, ownership and disposal of investment fund units in Germany, which might significantly deviate from the one summarised above.

Non-residents

Interest, including accrued interest, and capital gains are not subject to German taxation, unless (i) the Securities form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the

holder or (ii) the income otherwise constitutes German-source income (such as income from the letting and leasing of certain German-*situs* property). In cases (i) and (ii) a tax regime similar to that explained above under "*Tax Residents*" applies.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Securities are held in a custodial account with a Disbursing Agent, withholding tax may be levied under certain circumstances. Where Securities are not kept in a custodial account with a Disbursing Agent and interest or proceeds from the disposal, assignment or redemption of Securities or an interest coupon are paid by a Disbursing Agent to a non-resident upon delivery of the Securities or interest coupons, withholding tax generally will also apply. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty.

Inheritance and Gift Tax

No inheritance or gift taxes with respect to any Securities will arise under the laws of Germany, if, in the case of inheritance tax, neither the deceased nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Securities are not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Securities. Currently, net assets tax is not levied in Germany.

The European Commission and certain EU Member States (including Germany) are currently intending to introduce a financial transaction tax ("**FTT**") (presumably on secondary market transactions involving at least one financial intermediary). It is currently uncertain when the proposed FTT will be enacted by the participating EU Member States and when the FTT will enter into force.

EU Savings Directive

By legislative regulations dated 26 January 2004 the German Federal Government enacted provisions implementing the information exchange on the basis of the EU Savings Directive into German law. These provisions have applied since 1 July 2005.

4. Austrian taxation

This section on taxation contains a brief summary of the Issuer's understanding with regard to certain important principles which are of significance in connection with the purchase, holding or sale of the Securities in the Republic of Austria. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for certain potential investors. The following comments are rather of a general nature and included herein solely for information purposes. These comments are not intended to be, nor should they be construed to be, legal or tax advice. This summary furthermore only refers to investors that are subject to unlimited income tax liability or to unlimited corporate income tax liability in Austria. It is based on the currently valid tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described. It is recommended that potential purchasers of the Securities consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Securities. Tax risks resulting from the Securities (in particular from a potential qualification as a foreign investment fund within the meaning of sec. 188 of the Austrian Investment Funds Act 2011 (Investmentfondsgesetz 2011)) shall in any case be borne by the purchaser. For the purposes of the following it is assumed that the Securities are legally and factually offered to an indefinite number of persons.

General remarks

Individuals having a permanent domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*) in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a permanent domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of effective management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*) in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of effective management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability Austria's right to tax may be restricted by double taxation treaties.

Income taxation of the Securities

Pursuant to sec. 27(1) of the Austrian Income Tax Act (*Einkommensteuergesetz*), the term investment income (*Einkünfte aus Kapitalvermögen*) comprises:

- income from the letting of capital (*Einkünfte aus der Überlassung von Kapital*) pursuant to sec. 27(2) of the Austrian Income Tax Act, including dividends and interest;

- income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to sec. 27(3) of the Austrian Income Tax Act, including gains from the sale, redemption and other realisation of assets that lead to income from the letting of capital, zero coupon bonds and also broken-period interest; and

- income from derivatives (*Einkünfte aus Derivaten*) pursuant to sec. 27(4) of the Austrian Income Tax Act, including cash settlements, option premiums received and income from the sale or other realisation of forward contracts like options, futures and swaps and other derivatives such as index certificates.

Also the withdrawal of the Securities from a bank deposit (*Depotentnahme*) and circumstances leading to a loss of Austria's taxation right regarding the Securities *vis-à-vis* other countries, e.g., a relocation from Austria (*Wegzug*), are in general deemed to constitute a sale (cf. sec. 27(6)(1) of the Austrian Income Tax Act).

Individuals subject to unlimited income tax liability in Austria holding the Securities as a non-business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income that is paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), the income is subject to a withholding tax of 25 per cent.; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to sec. 97(1) of the Austrian Income Tax Act). In case of investment income without an Austrian nexus, the income must be included in the income tax return and is subject to a flat income tax rate of 25 per cent. In both cases upon application the option exists to tax all income subject to the tax rate of 25 per cent. at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Sec. 27(8) of the Austrian Income Tax Act, *inter alia*, provides for the following restrictions on the offsetting of losses: negative income from realised increases in value and from derivatives may not be offset against interest and other claims against credit institutions as well as income from Austrian or foreign private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*); income subject to the flat tax rate of 25 per cent. may not be offset against income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to regular taxation); negative investment income not already offset against positive investment income may not be offset against other types of income.

Individuals subject to unlimited income tax liability in Austria holding the Securities as a business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25 per cent. While this withholding tax has the effect of final taxation for income from the letting of capital, income from realised increases in value and income from derivatives must on the other hand be included in the income tax return (nevertheless flat income tax rate of 25 per cent.). In case of investment income without an Austrian nexus, the income must always be included in the income tax return (flat income tax rate of 25 per cent.). In both cases upon application the option exists to tax all income subject to the tax rate of 25 per cent. at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Pursuant to sec. 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the sale, redemption and other realisation of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act, which are subject to the special tax rate of 25 per cent., are primarily to be offset against income from realised increases in value of such financial assets and derivatives

and with appreciations in value of such assets; only half of the remaining negative difference may be offset against other types of income (and carried forward).

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on interest from the Securities at a rate of 25 per cent. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25 per cent., which can be credited against the corporate income tax liability. However, under the conditions set forth in sec. 94(5) of the Austrian Income Tax Act no withholding tax is levied in the first place. Income from the sale of the Securities is subject to corporate income tax of 25 per cent. Losses from the sale of the Securities can be offset against other income (and carried forward).

Private foundations (*Privatstiftungen*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*) fulfilling the prerequisites contained in sec. 13(3) and (6) of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*) and holding the Securities as a non-business asset are subject to interim taxation at a rate of 25 per cent. on interest income, income from realised increases in value and income from derivatives (*inter alia*, if the latter are in the form of securities). Interim tax does not fall due insofar as distributions subject to withholding tax are made to beneficiaries in the tax period. In case of investment income with an Austrian nexus (as described above) income is in general subject to a withholding tax of 25 per cent., which can be credited against the tax falling due. Under the conditions set forth in sec. 94(12) of the Austrian Income Tax Act no withholding tax is levied.

Pursuant to sec. 93(6) of the Austrian Income Tax Act, the Austrian custodian agent is obliged to automatically offset negative investment income against positive investment income, taking into account all of a taxpayer's bank deposits with the custodian agent. If negative and at the same time or later positive income is earned, then the negative income is to be offset against the positive income. If positive and later negative income is earned, then the withholding tax on the positive income is to be credited, with such tax credit being limited to 25 per cent. of the negative income. In certain cases, the offsetting is not permissible. The custodian agent has to issue a written confirmation on the offsetting of losses for each bank deposit.

Pursuant to sec. 188 of the Austrian Investment Funds Act 2011 as changed in the course of the implementation of Directive 2011/61/EU and as applicable to business years of investment funds starting after 21 July 2013, the term "foreign investment fund" comprises (i) undertakings for collective investment in transferable securities the state of origin of which is not Austria; (ii) alternative investment funds pursuant to the Austrian Act on Alternative Investment Fund Managers (*Alternative Investmentfonds Manager-Gesetz*) the state of origin of which is not Austria; and (iii) secondarily, undertakings subject to a foreign jurisdiction, irrespective of the legal form they are organised in, the assets of which are invested according to the principle of risk-spreading on the basis either of a statute, of the undertaking's articles or of customary exercise, if one of the following conditions is fulfilled: (a) the undertaking is factually, directly or indirectly, not subject to a corporate income tax in its state of residence that is comparable to Austrian corporate income tax; (b) the profits of the undertaking are in its state of residence subject to corporate income tax that is comparable to Austrian corporate income tax, at a rate of less than 15 per cent.; or (c) the undertaking is subject to a comprehensive personal or material tax exemption in its state of residence. Certain collective investment vehicles investing in real estate are exempted. To date no guidance has been issued by the tax authorities on the interpretation of this new provision. In case Securities were qualified as a foreign investment fund, the tax consequences would substantially differ from those described above. In this case the Securities would be seen as quasi-transparent for tax purposes, so that the investor would be taxable on any distributed, but also undistributed income from the Securities.

EU withholding tax

Sec. 1 of the Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*) – implementing Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments – provides that interest payments paid or credited by an Austrian paying agent (*Zahlstelle*) to a beneficial owner who is an individual resident in another EU member state (or in certain dependent or associated territories, which currently include Anguilla, Aruba, the British Virgin Islands, Guernsey, the Isle of Man, Jersey, Montserrat, the Netherlands Antilles and the Turks and Caicos Islands) are subject to a withholding tax of 35 per cent. if no exception from such withholding applies. Sec. 10 of the Austrian EU Withholding Tax Act provides for an exemption from EU withholding tax if the beneficial owner presents to the paying agent a certificate drawn up in his/her name by the competent authority of his/her member state of residence for tax purposes, indicating the name, address and tax or other identification number or, failing such, the date and place of birth of the beneficial owner, the name and address of the paying agent, and the account number of the beneficial owner or, where there is none, the identification of the security; such certificate shall be valid for a period not exceeding three years.

Regarding the issue of whether also index certificates are subject to the EU withholding tax, the Austrian tax authorities distinguish between index certificates with and without a capital guarantee, a capital guarantee being the promise of repayment of a minimum amount of the capital invested or the promise of the payment of interest. The exact tax treatment of index certificates furthermore depends on their underlying.

Pursuant to guidelines published by the Austrian Federal Ministry of Finance, income from warrants, pursuant to which an investor is entitled (but not obliged) to buy or sell a specified underlying at a specific price or to receive or pay a difference amount relating to the value of such underlying at a predetermined date (*Optionsscheine*), does not qualify as interest within the meaning of the Austrian EU Withholding Tax Act.

Tax treaties between Austria/Switzerland and Austria/Liechtenstein

On 1 January 2013 the Treaty between the Republic of Austria and the Swiss Confederation on Cooperation in the Areas of Taxation and Capital Markets entered into force. A similar treaty between the Republic of Austria and the Principality of Liechtenstein is applicable as of 1 January 2014. These treaties provide that a Swiss, respectively Liechtenstein, paying agent has to withhold a tax amounting to 25%, on, *inter alia*, interest income, dividends and capital gains from assets booked with an account or deposit of such Swiss, respectively Liechtenstein, paying agent or managed by a Liechtenstein paying agent, if the relevant holder of such assets (*i.e.* in general individuals on their own behalf and as beneficial owners of assets held by a domiciliary company (*Sitzgesellschaft*)) is tax resident in Austria. For Austrian income tax purposes the withholding tax has the effect of final taxation regarding the underlying income if the Austrian Income Tax Act provides for the effect of final taxation for such income. The treaties, however, do not apply to interest covered by the agreements between the European Community and the Swiss Confederation, respectively Liechtenstein, regarding Council Directive 2003/48/EC on taxation of savings income in the form of interest payments. The taxpayer can opt for voluntary disclosure instead of the withholding tax by expressly authorising the Swiss, respectively Liechtenstein, paying agent to disclose to the competent Austrian authority the income and capital gains; these subsequently have to be included in the income tax return.

Austrian inheritance and gift tax

Austria does not levy inheritance or gift tax.

However, it should be noted that certain gratuitous transfers of assets to (Austrian or foreign) private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) are subject to foundation entry tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Entry Tax Act (*Stiftungseingangssteuergesetz*). Such tax is triggered if the transferor and/or the transferee at the time of transfer have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Certain exemptions apply in case of a transfer *mortis causa* of financial assets within the meaning of sec. 27(3) and (4) of the Austrian Income Tax Act (except for participations in corporations) if income from such financial assets is subject to the special tax rate of 25 per cent. The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate is in general 2.5 per cent., with a higher rate of 25 per cent. applying in special cases. As of 1 January 2014 special provisions apply to entities falling under the scope of the tax treaty between Austria and Liechtenstein.

In addition, a special notification obligation exists for gifts of money, receivables, shares in corporations, participations in partnerships, businesses, movable tangible assets and intangibles. The notification obligation applies if the donor and/or the donee have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Not all gifts are covered by the notification obligation: In case of gifts to certain related parties, a threshold of EUR 50,000 per year applies; in all other cases, a notification is obligatory if the value of gifts made exceeds an amount of EUR 15,000 during a period of five years. Furthermore, gratuitous transfers to foundations falling under the Austrian Foundation Entry Tax Act described above are also exempt from the notification obligation. Intentional violation of the notification obligation may lead to the levying of fines of up to 10 per cent. of the fair market value of the assets transferred.

Further, it should be noted that gratuitous transfers of the Securities may trigger income tax on the level of the transferor pursuant to sec. 27(6)(1) of the Austrian Income Tax Act (see above).

5. Hiring Incentives to Restore Employment Act

The U.S. Hiring Incentives to Restore Employment Act introduced Section 871(m) of the U.S. Internal Revenue Code of 1986 (the "**Code**") which treats a "dividend equivalent" payment as a dividend from sources within the United States. Under Section 871(m), such payments generally would be subject to a 30% U.S. withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a credit or refund from the U.S. Internal Revenue Service (the "**IRS**"). A "dividend equivalent" payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in (i) and (ii). Proposed U.S. Treasury regulations expand the definition of "specified notional principal contract" beginning 1 January 2016.

While significant aspects of the application of Section 871(m) to the Securities are uncertain, if the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld.

Prospective investors should consult their tax advisers regarding the potential application of Section 871(m) to the Securities.

6. Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the Code ("**FATCA**") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the IRS to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer is classified as an FFI.

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Securities characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the "**grandfathering date**", which is the later of (a) 1 July 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations define the term foreign passthru payments are filed with the Federal Register (the "**grandfathering date**"), or which are materially modified on or after the grandfathering date and (ii) any Securities characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Securities are issued before the grandfathering date, and additional Securities of the same series are issued on or after that date, the additional Securities may not be treated as grandfathered, which may have negative consequences for the existing Securities, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the United Kingdom have entered into an agreement (the "**US-UK IGA**") based largely on the Model 1 IGA.

The Issuer expects to be treated as a Reporting FI pursuant to the US-UK IGA and does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and

financial institutions through which payments on the Securities are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Securities is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder..

If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Securities, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Securities, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

Whilst the Securities are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Securities by the Issuer, the Guarantor, any paying agent and the Common Depositary or common safekeeper, as the case may be, given that each of the entities in the payment chain beginning with the Issuer and ending with the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Securities. The documentation expressly contemplates the possibility that the Securities may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive securities will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Securities.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

IMPORTANT NOTICE TO PURCHASERS AND TRANSFEREES OF N&C SECURITIES

The N&C Securities have not been and will not be registered under the Securities Act or any applicable state securities laws, and trading in the N&C Securities has not been approved by the CFTC under the CEA. No N&C Securities, or interests therein, may at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person.

Offers, sales, resales or deliveries of the N&C Securities, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons would constitute a violation of United States securities laws unless made in compliance with the registration requirements of the Securities Act or any applicable state securities laws or pursuant to an exemption therefrom. In addition, in the absence of relief from the CFTC, offers, sales, resales, transfers, pledges or deliveries of the N&C Securities, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading.

As used herein, "**United States**" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and "U.S. person" means (i) an individual who is a citizen or resident of the United States; (ii) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust (or any trust which elected to be treated as a United States person prior to 20th August 1996); (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; (vi) any entity organised principally for passive investment, 10 per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the CFTC's regulations by virtue of its participants being non-U.S. persons; or (vii) any other "U.S. person" or person that is not a "non-United States person" as either such term may be defined in Regulation S under the Securities Act or in regulations adopted under the CEA.

Notice to Purchasers and Holders of Restricted Securities and Transfer Restrictions

Each purchaser of the N&C Securities will, by its purchase of the N&C Securities, be deemed to acknowledge, represent and agree as follows:

(a) that trading in the N&C Securities has not been and will not be approved by the CFTC under the CEA;

(b) that it will not at any time offer, sell, resell or deliver, directly or indirectly, any N&C Securities so purchased in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;

(c) that it is not purchasing any N&C Securities for the account or benefit of any U.S. person;

(d) that it will not make offers, sales, resales or deliveries of any N&C Securities (otherwise acquired), directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;

(e) that it will send each person who purchases N&C Securities from it a written confirmation (which shall include the definitions of United States and U.S. person set forth herein) stating that the N&C Securities have not been registered under the Securities Act or any applicable state securities laws, that trading in the N&C Securities has not been approved by the CFTC under the CEA and stating that such purchaser agrees that it will not at any time offer, sell, resell or deliver any of such N&C Securities, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person; and

(f) that no U.S. person or person in the United States may at any time trade or maintain a position in the N&C Securities.

IMPORTANT NOTICE TO PURCHASERS AND TRANSFEREES OF WARRANTS

The Warrants have not been and will not be registered under the Securities Act or any applicable state securities laws, and trading in the Warrants has not been approved by the CFTC under the CEA. No Warrants, or interests therein, may at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person and no U.S. person may at any time trade or maintain a position in the Warrants.

As used herein, "**United States**" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and "**U.S. person**" means (i) an individual who is a citizen or resident of the United States; (ii) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust (or any trust which elected to be treated as a United States person prior to 20th August 1996); (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; (vi) any entity organised principally for passive investment, 10 per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the CFTC's regulations by virtue of its participants being non-U.S. persons; or (vii) any other "U.S. person" or person that is not a "non-United States person" as either such term may be defined in Regulation S under the Securities Act or in regulations adopted under the CEA.

Notice to Purchasers and Holders of Restricted Securities and Transfer Restrictions

Each purchaser of the Warrants will, by its purchase of the Warrants, be deemed to acknowledge, represent and agree as follows:

(a) that trading in the Warrants has not been and will not be approved by the CFTC under the CEA;

(b) that it will not at any time offer, sell, resell or deliver, directly or indirectly, any Warrants so purchased in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;

(c) that it is not purchasing any Warrants for the account or benefit of any U.S. person;

(d) that it will not make offers, sales, resales or deliveries of any Warrants (otherwise acquired), directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;

(e) that it will send each person who purchases Warrants from it a written confirmation (which shall include the definitions of United States and U.S. person set forth herein) stating that the Warrants have not been registered under the Securities Act or any applicable state securities laws, that trading in the Warrants has not been approved by the CFTC under the CEA and stating that such purchaser agrees that it will not at any time offer, sell, resell or deliver any of such N&C Securities, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person; and

(f) that no U.S. person or person in the United States may at any time trade or maintain a position in the Warrants.

SUBSCRIPTION AND SALE

The Dealers have in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the "**Programme Agreement**") dated on or about the date of this Base Prospectus agreed with the Issuer and the Guarantor a basis upon which the Issuer may from time to time agree to issue Securities. Any such agreement will extend to those matters stated under "*Form of the Securities*", "*General Terms and Conditions of the N&C Securities*" and "*General Terms and Conditions of the Warrants"*. In the Programme Agreement, the Issuer (failing which, the Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with the issue of Securities under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The price and amount of Securities to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. The Securities may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Programme Agreement also provides for Securities to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers. If a Tranche of Securities is syndicated, the details of such syndication will be specified in the applicable Final Terms or, in the case of Exempt Securities, Pricing Supplement.

In connection with the issue of any Tranche of Securities, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms or, in the case of Exempt Securities, Pricing Supplement may over-allot (provided that, in the case of any Tranche of Securities to be admitted to trading on a regulated market in the European Economic Area, the aggregate principal amount of Securities allotted does not exceed 105.00 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Securities of the Series (as defined below) of which such Tranche forms part 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 Securities 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 Securities and 60 days after the date of the allotment of the relevant Tranche of Securities.

SELLING RESTRICTIONS

1. United States of America

The Securities 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 accordance with Regulation S under the United States Securities Act of 1933, as amended (the "**Securities Act**") or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Securities 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 U.S. persons, 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 thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme Agreement will be required to agree, that except as permitted by the Programme Agreement: (a) it has not offered, sold or delivered Securities and it will not offer, sell or deliver Securities (i) as part of their distribution at any time or (ii) otherwise (except for Permanently Restricted N&C Securities) until 40 days after the completion of the distribution of all N&C Securities of the relevant Tranche, within the United States or to, or for the account or benefit of U.S. persons and only in accordance with Rule 903 of Regulation S and (b) that it will not at any time offer, sell or deliver Permanently Restricted N&C Securities, or any interest therein, within the United States or to, or for the benefit or account of, U. S. Persons, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Securities from it or through it during the distribution compliance period a confirmation or notice setting forth the restrictions on offers and sales of the Securities within the United States or to or for the account or benefit of U.S. persons.

Interests in the Immobilised Bearer N&C Securities are being offered and sold only outside the United States to persons other than U.S. persons ("foreign purchasers", which term includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners, other than an estate or trust) pursuant to Regulation S.

The Permanently Restricted N&C Securities may not at any time be offered, sold, resold traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person and may not be legally or beneficially owned at any time by any U.S. person. Accordingly, Permanently Restricted N&C Securities may only be offered and sold in offshore transactions outside the United States to persons that are not U.S. persons pursuant to Regulation S. Any offer, sale, resale, trade, pledge, redemption, transfer or delivery of Permanently Restricted N&C Securities made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

Except as otherwise provided, terms used in this United States sub-section of "*Selling Restrictions*" have the meanings given to them by Regulation S.

In addition, until 40 days after the completion of the distribution of all N&C Securities comprising any Tranche, an offer or sale of N&C Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Further, no Warrants of any series, or interests therein or Entitlement with respect thereto, may at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States of America (including the states and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (the "**United States**") or directly or indirectly offered, sold, resold, traded, pledged, redeemed, transferred or delivered to, or for the account or benefit of, any person who is (i) an individual who is a citizen or resident of the United States; (ii) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust; (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; (vi) any entity organised principally for passive investment, 10 per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the CFTC's regulations by virtue of its participants being non-U.S. Persons; or (vii) any other "U.S. Person" or person that is not a "non-United States person" as either such term may be defined in Rule 902(k) of Regulation S or in regulations adopted under the U.S. Commodity Exchange Act (a "**U.S. Person**" for purposes of the Warrants).

Offers, sales, resales or deliveries of Warrants of any series, or interests therein or any Entitlement with respect thereto, directly or indirectly, in the United States or to, or for the account or benefit of U.S. Persons would constitute a violation of United States securities laws unless made in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. In addition, in the absence of relief from the CFTC, offers, sales, resales, trades or deliveries of Warrants of any series, or interests therein or any Entitlement with respect thereto, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. Persons, may constitute a violation of United States law governing commodities trading. Consequently, no U.S. Person may at any time trade or maintain a position in the Warrants, and any offer, sale, resale, trade, pledge, redemption, transfer or delivery of any Securities of any series, or interests therein or any Entitlement with respect thereto, made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. Person will not be recognised.

Prior to the delivery of any Entitlement in respect of any Warrants to be settled by way of physical delivery, the holder thereof will be required to represent that, *inter alia*, it is not a U.S. Person, the Warrant was not redeemed on behalf of a U.S. Person and no cash, securities or other property have been or will be delivered within the United States or to, or the account or benefit of, a U.S. Person in connection with any exercise thereof (see Warrant Condition 4.3).

Each issuance of Exempt Securities shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance of such Securities, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

2. European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented 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 Securities, which are subject of the offering contemplated by this Base Prospectus 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 Securities to the public in that Relevant Member State:

(c) if the final terms in relation to the Securities specify that an offer of those Securities may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Securities 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 Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purposes of that Non-exempt Offer;

(d) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive; or

(e) 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

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

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

For the purposes of this provision:

- the expression an "**offer of Securities to the public**" in relation to any Securities 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 Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;

- the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State; and

- the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

3. United Kingdom

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

(c) 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 (financial promotion) of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the FSMA would not, if they were not authorised persons apply to the Issuer or the Guarantor; and

(d) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

4. Ireland

Each Dealer has represented, warranted and agreed that (and each further Dealer appointed under the Programme will be required to represent, warrant and agree that) it has not offered, sold, placed or underwritten and will not offer, sell, place or underwrite the Securities, or do anything in Ireland in respect of the Securities, otherwise than in conformity with the provisions of:

(c) any rules issued by the Central Bank of Ireland under section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2005 of Ireland, as amended, (the "**2005 Act**");

(d) the Irish Companies Acts 1963 to 2012;

(e) the Irish Central Bank Acts, 1942 to 2011;

(f) the European Communities (Markets in Financial Instruments) Regulations 2007 (No.s 1 to 3), as amended, of Ireland and it will conduct itself in accordance with any rules or codes of conduct and any conditions or requirements, or any other enactment, imposed or approved by the Central Bank of Ireland; and

(g) the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued by the Central Bank of Ireland under section 34 of the 2005 Act.

5. Austria

In addition to the provisions of the selling restriction for European Economic Area Member States (including Austria) above, the Securities may be offered to the public in Austria only:

(c) if the following conditions have been satisfied:

(i) the Base Prospectus, including any supplements but excluding any Final Terms, which has been approved by the Austrian Financial Market Authority (*Finanzmarktaufsichtsbehörde*) (the "**FMA**") or, where appropriate, approved in another Member State and notified to the FMA, all in accordance with the Prospectus Directive, has been published at least one Austrian bank working day prior to the commencement of the relevant offer of the Securities to the public;

(ii) the applicable Final Terms for the Securities have been published and filed with the FMA on or prior to the date of commencement of the relevant offer of the Securities to the public or admission to trading; and

(iii) a notification with the Oesterreichische Kontrollbank Aktiengesellschaft, all as prescribed by the Capital Market Act 1991 (*Kapitalmarktgesetz 1991*), as amended (the "**CMA**"), has been filed at least

one Austrian bank working day prior to the commencement of the relevant offer of the Securities to the public; or

(d) otherwise in compliance with the CMA.

For the purposes of this Austrian selling restriction, the expression "**an offer of the Securities to the public**" means the communication to the public in any form and by any means presenting sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Securities. This definition is also applicable to the placing of the Securities through financial intermediaries.

General

The Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, with the Issuer and the Guarantor that it will observe all applicable laws and regulations in any jurisdiction in which it may offer, sell or deliver Securities and that it will not, directly or indirectly, offer, sell or deliver Securities or distribute or publish this document, any prospectus, circular, advertisement or other offering material (including, without limitation, any supplement to this document) in relation to the Securities in or from any country of jurisdiction except under circumstances that will to best of its knowledge and belief result in compliance with any applicable laws and regulations, and all offers, sales and deliveries of Securities by it will be made on the foregoing terms.

None of the Issuer, the Guarantor and the Dealers represents by virtue of the Base Prospectus that Securities 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.

The restrictions on offerings may be modified by the agreement of the Issuer, the Guarantor and the Dealers following a change in a relevant law, regulation or directive. Any such modification will, in the case of Exempt Securities, be set out in the applicable Pricing Supplement, applicable to each Series of Securities or in a supplement to this document.

Disclaimer

As a result of the foregoing restrictions, purchasers of Securities are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Securities.

Unless otherwise specified in the applicable Final Terms, no offers, sales, re-sales or deliveries of any Securities, or distribution of any offering material relating to any Securities, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and which will not impose any obligation on the Issuer, Guarantor or the Dealers.

GENERAL INFORMATION

1. Documents Available

So long as Securities are capable of being issued under the Programme, copies of the following documents will, when published, be available for inspection, in physical form, during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Issuer and the Guarantor and at the specified offices of the Paying Agents save that items (vi) and (vii) will not be available at the specified offices of the Paying Agents (and items (i), (ix) and (x) will be available for collection free of charge):

(i) the articles of association of the Issuer and the Guarantor;

(ii) the:

(A) information specified beneath the heading "The structural relationship of ANTS and Santander UK with the Banco Santander group – the 'subsidiary model'" on page 3;

(B) "Risk Management Report" on pages 15 to 50 (inclusive) except for the section marked as unreviewed on page 16;

(C) "Independent Review Report to Abbey National Treasury Services plc", the unaudited condensed consolidated interim financial statements and the shareholder information on pages 53 to 85, except for the sections marked as unreviewed on pages 28 and 29 and the Non-Financial Risks sections on pages 34 to 38 (inclusive);

in each case, of the Issuer's unaudited Half Yearly Financial Report for the six months ended 30 June 2013;

(iii) the:

(A) Issuer's audited consolidated annual financial statements for the financial year ended 31 December 2012, which appear on pages 110 to 189;

(B) Issuer's audited risk management report which appears on pages 28 to 98, except as marked unaudited in the Non-Financial Risks sections on pages 79 to 83 and on pages 29, 36, 38, 39, 65 and 66;

(C) section entitled "Sources and uses of funding and liquidity" on page 25;

(D) section entitled "Material Contracts" on page 206;

in each case, of the Issuer's Annual Report and Accounts for the year ended 31 December 2012;

(iv) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2011, which appear on pages 11 to 120 of the Issuer's Annual Report and Accounts for the year ended 31 December 2011;

(v) the unaudited quarterly management statement of the Guarantor for the nine months ended 30 September 2013 (with the exception of the introductory quotation on page 2);

(vi) the:

(A) information specified beneath the heading "The structural relationship of Santander UK within the Banco Santander Group – the 'Subsidiary Model'" on page 4;

(B) "Risk Management Report" on pages 36 to 95 (inclusive), except for the section marked as unreviewed on page 37;

(C) "Independent Review Report to Santander UK plc", the unaudited condensed consolidated interim financial statements and the shareholder information which appear on pages 97 to 138 except the sections marked as unreviewed on pages 66 and 67 and the Non-Financial Risks sections on pages 73 to 77 (inclusive);

in each case, of the Guarantor's unaudited Half Yearly Financial Report for the six months ended 30 June 2013;

(vii) the:

(A) audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2012, which appear on pages 199 to 309 ;

(B) Guarantor's audited risk management report which appears on pages 62 to 162 except as marked unaudited in the Non-Financial Risks sections on pages 135 to 139 and on pages 63, 70, 71, 73, 119 and 120;

(C) Guarantor's audited information in the "Directors Report" on pages 184 and 185;

(D) section entitled "UK Government Schemes" on pages 57 and 58;

(E) section entitled "Material Contracts" on page 326;

in each case, of the Guarantor's Annual Report and Accounts for the year ended 31 December 2012;

(viii) the:

(A) audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2011, which appear on pages 157 to 274 and pages 62 to 135 except the Operational Risk and Other Risks sections on pages 128 to 134;

(B) audited information in the Balance Sheet Business Review on pages 44 to 48;

(C) audited information titled "FSA Remuneration Disclosures" on pages 152 to 156;

(D) section entitled "Bank of England Special Liquidity Scheme" on page 58;

(E) audited information in the Directors' Report on pages 143 to 145;

in each case, of the Guarantor's Annual Report and Accounts for the year ended 31 December 2011;

(ix) the Programme Agreement, the Agency Agreement (which contains the forms of Global N&C Securities, N&C Securities in definitive form, Receipts, Coupons and Talons), the Warrant Agreement (which contains the form of Global Warrant), the N&C Securities Depository Agreement, Deed of Covenant and the Guarantee;

(x) this Base Prospectus and the Registration Document of the Issuer and Guarantor dated 28 January 2014;

(xi) any future information memoranda, offering circulars, prospectuses and supplements to this Base Prospectus and any other documents incorporated herein or therein by reference;

(xii) in the case of each issue of listed Securities subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document);

(xiii) Final Terms and Pricing Supplements (in the case of Exempt Securities) (save that Pricing Supplements will only be available for inspection by a holder of such Security and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Securities and identity); and

(xiv) the Terms and Conditions set out on pages 59 to 168 of the Base Prospectus dated 28 March 2007 in relation to the Issuer's Structured Note Programme, the Conditions set out on pages 149 to 280 of the Base Prospectus dated 26 March 2008 in relation to the Issuer's Structured Note Programme, the Conditions set out on pages 147 to 297 of the Base Prospectus dated 26 March 2009 in relation to the Issuer's Structured Note Programme, the Conditions set out on pages 155 to 315 of the Base Prospectus dated 14 April 2010, the Conditions set out on pages 109 to 292 of the Prospectus dated 12 April 2011 relating to the Issuer's Structured Note Programme, the Conditions set out on pages 82 to 299 of the Prospectus dated 5 April 2012 and the Conditions set out on pages 92 to 226 of the Base Prospectus dated 21 February 2013 relating to the Issuer's Note, Certificate and Warrant Programme.

2. Clearance Systems

The Securities in bearer and registered form have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Securities allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms (or Pricing Supplement in the case of Exempt Securities). If the Securities are to clear through an additional or alternative clearance system the appropriate information will be specified in the applicable Final Terms or Pricing Supplement.

The address of Euroclear is 1 Boulevard du Roi Albert II, B.1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J. F. Kennedy, L-1855 Luxembourg. The address of Clearstream, Frankfurt is Neue Börsenstraße 8, 60487 Frankfurt am Main, Germany. The address of CREST is Euroclear UK & Ireland Limited, 33 Cannon Street, London, EC4M 5SB.

3. Significant or Material Change

There has been no significant change in the financial position of the ANTS Group (including the Issuer) since 30 June 2013, being the date to which the 2013 Half Yearly Financial Report of the Issuer was prepared.

There has been no significant change in the financial position of the Santander UK Group (including the Guarantor) since 30 September 2013.

There has been no material adverse change in the prospects of the Guarantor or the Issuer since 31 December 2012, being the date of its last published audited consolidated annual financial statements.

4. Litigation

There are not any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or had, in the 12 months prior to the date hereof, a significant effect on the financial position or profitability of the Santander UK Group, the Issuer or the Guarantor and its subsidiaries.

5. Independent Auditors

The consolidated annual financial statements of the Issuer and the Guarantor for the years ended 31 December 2012 and 31 December 2011 herein incorporated by reference have been audited by Deloitte LLP, Chartered Accountants and Registered Auditors and members of the Institute of Chartered Accountants of England and Wales, as stated in the report appearing therein.

6. U.S. Tax Legend

Securities in bearer form with an original maturity of more than one year and the relevant Receipts, Coupons or Talons will bear the following legend:

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

7. Contracts (Rights of Third Parties) Act 1999

The Contracts (Rights of Third Parties) Act 1999 (the "**Act**") provides, *inter alia*, that persons who are not parties to a contract governed by the laws of England and Wales may be given enforceable rights under such contract. Unless specifically provided in the applicable Final Terms (or, in the case of Exempt Securities, Pricing Supplement) to the contrary, this Programme expressly excludes the application of the Act to any issue of Securities under the Programme.

8. Post-Issuance Information

Save as set out in the applicable Final Terms (or, in the case of Exempt Securities, Pricing Supplement), the Issuer does not intend to provide any post-issuance information in relation to any issue of Securities.

9. Yield

In relation to any Tranche of Fixed Rate N&C Securities, an indication of the yield in respect of such N&C Securities will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Securities on the basis of the relevant Issue Price using the formula below. It is not an indication of future yield.

$$P=\frac{C}{r}(1-(1+r)^{-n})+A(1+r)^{-n}$$

Where:

P = the Issue Price of the N&C Securities;

C = the annualised interest amount;

A = the principal amount of N&C Securities due on redemption;

N = the time to maturity in years; and

r = the annualised yield.

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