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THE FOLLOWING INFORMATION MEMORANDUM 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 N&C SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: You have been sent the Information Memorandum on the basis that you have confirmed to the relevant Dealers (as defined in the Information Memorandum), 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 the Information Memorandum by electronic transmission, (iii) you are not a U.S. person (in the case of each N&C Security (as defined in the Information Memorandum) that is an Immobilised Bearer N&C Security (as defined in the Information Memorandum) (other than a Permanently Restricted N&C Security (as defined in the Information Memorandum)), within the meaning of Regulation S under the Securities Act and, with respect to a Bearer N&C Security (as defined in the Information Memorandum) or a Permanently Restricted N&C Security, within the meaning of Regulation S under the Securities Act and the Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations, promulgated by the Commodity Futures Trading Commission (the "CFTC") pursuant to the United States Commodity Exchange Act of 1936, as amended, or a person other than a "Non-United States person" as defined in CFTC Rule 4.7, as such definitions may be amended, modified or supplemented from time to time), 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 Information Memorandum (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 of securities for sale or solicitation of an offer to buy securities in any place where such 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 the Issuer (as defined in the Information Memorandum) in such jurisdiction.

The Information Memorandum 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, the relevant Dealers nor 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 the Information Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Issuer or the relevant Dealers.



Santander UK plc

(incorporated under the laws of England and Wales)

Global Structured Solutions Programme

Santander UK plc (the "Issuer") may from time to time issue notes (the "Notes") and redeemable certificates (the "Certificates" and, together with Notes, the "N&C Securities") denominated in any currency as agreed between the Issuer and the relevant Dealer (as defined below) under this Global Structured Solutions Programme (the "Programme").

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("Euronext Dublin") for approval of this Information Memorandum as "listing particulars". Application has been made to Euronext Dublin for the N&C Securities issued under the Programme for a period of 12 months from the date of this Information Memorandum to be admitted to Euronext Dublin's Official List and to trading on its Global Exchange Market (the "Global Exchange Market"), which is the exchange regulated market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments (as amended, "MiFID II"). The Programme provides that N&C Securities may also be unlisted and/or listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer and as specified in the applicable Pricing Supplement (as defined below).

This Information Memorandum does not constitute a base prospectus for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "Prospectus Directive") or Regulation (EU) 2017/1129, as amended (the "Prospectus Regulation"). Accordingly, no offer to the public may be made and no admission to trading may be applied for on any market in the European Economic Area (the "EEA") designated as a regulated market, in each case for the purposes of the Prospectus Directive or the Prospectus Regulation.

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

The N&C Securities may be issued on a continuing basis to one or more of the Dealers specified below 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 Information Memorandum to the "relevant Dealer" shall, in the case of an issue of N&C Securities being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such N&C Securities.

Any terms and conditions not contained herein which are applicable to each Tranche (as defined in the Conditions) of N&C Securities will be set out in the applicable Pricing Supplement which with respect to N&C Securities to be admitted to the Official List and to trading on the Global Exchange Market, will be delivered to Euronext Dublin on or before the date of issue of the N&C Securities of such Tranche.

Prospective purchasers of N&C Securities should ensure that they understand the nature of the relevant N&C Securities and the extent of their exposure to risks and that they consider the suitability of the relevant N&C Securities as an investment in the light of their own circumstances and financial condition. Certain issues of N&C 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 N&C Securities. If prospective investors are in any doubt about the risks or suitability of a particular N&C Security, they should seek professional advice.

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 may be subject to certain U.S. tax law requirements.

The N&C Securities may not be offered, sold, resold, traded, transferred, pledged, delivered or redeemed, directly or indirectly, at any time, within the United States of America (including the states and the District of Columbia), its territories, possessions and other areas subject to its jurisdiction (the "United States") or to, or for the account of, or benefit of, or by, any U.S. Person (as defined below), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction other than Permanently Restricted N&C Securities (as defined below).

The Issuer may offer and sell interests in Immobilised Bearer N&C Securities of certain issues in offshore transactions outside the United States to non-U.S. Persons in reliance on Regulation S under the Securities Act ("Regulation S") ("Regulation S N&C Securities") and in reliance on an exemption from applicable state securities laws. Interests in 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, any U.S. Person ("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 and may not be legally or beneficially owned at any time by any U.S. Person. By its purchase of an interest in a Permanently Restricted N&C Security, each purchaser will be deemed to have agreed that it may not resell or otherwise transfer any interest in a Permanently Restricted N&C Security held by it except outside the United States in an offshore transaction to a person that is not a U.S. Person, in reliance on Regulation S and an exemption from applicable state securities laws.

In addition, the Bearer N&C 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 or to, or for the account or benefit of, any U.S. Person.

As used herein, unless otherwise expressed to the contrary, "U.S. Person" means any person who is (i) in respect of each N&C Security that is an Immobilised Bearer N&C Security (other than a Permanently Restricted N&C Security), a "U.S. person" as defined in Regulation S or (ii) in respect of each N&C Security that is (a) a Bearer N&C Security or (b) a Permanently Restricted N&C Security, a "U.S. person" as defined in Regulation S, the Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations promulgated by the Commodity Futures Trading Commission (the "CFTC") pursuant to the United States Commodity Exchange Act of 1936, as amended (the "CEA") or a person other than a "Non-United States person" as defined in CFTC Rule 4.7 (each such person, a "U.S. Person").

Dealers

BANCO SANTANDER, S.A.

SANTANDER UK PLC

References to Santander entities

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

Further Information regarding the Information Memorandum

This Information Memorandum does not constitute a "prospectus" for the purposes of the Prospectus Directive or the Prospectus Regulation. N&C Securities may only be issued under this Programme in circumstances where no prospectus is required to be published under the Prospectus Directive or the Prospectus Regulation (see the "*Subscription and Sale*" section of this Information Memorandum).

This Information Memorandum supersedes the information memorandum dated 9 August 2017 of the Issuer in respect of the Programme, and is valid for a period of 12 months from the date hereof.

Any N&C Securities issued under the Programme by the completion of the Pricing Supplement on or after the date of this Information Memorandum are issued subject to the provisions hereof. This Information Memorandum does not affect any securities already in issue under the Programme prior to the date of this Information Memorandum or issued under any other programme of the Issuer. "**Pricing Supplement**" means the terms set out in a Pricing Supplement document, substantially in the form set out in this Information Memorandum, which complete and amend the "*General Terms and Conditions of the N&C Securities*" set out on page 86 herein which, together with the applicable Annex(es) relating to Equity Index Linked N&C Securities, Inflation Index Linked N&C Securities or any other relevant type of N&C Securities attached thereto, are referred to as the "**Conditions**".

Responsibility Statement

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

Persons authorised to use this Information Memorandum

Subject as provided in the applicable Pricing Supplement, the only persons authorised to use this Information Memorandum in connection with an offer of N&C Securities are the persons named in the applicable Pricing Supplement as the relevant Dealer(s) and the persons named in or identifiable pursuant to the applicable Pricing Supplement as the Financial Intermediaries, as the case may be.

Any person (an "**Investor**") intending to acquire or acquiring any N&C Securities from any person (an "**Offeror**") will do so, and offers and sales of the N&C Securities to an investor by an Offeror will be made, in accordance with any terms and other arrangements in place between the Offeror and such investor including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with investors in connection with the offer or sale of the N&C Securities and, accordingly, this Information Memorandum and any Pricing Supplement will not contain such information. **THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NONE OF THE ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ANY DEALER HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION PROVIDED BY THAT OFFEROR.**

Information sourced from third parties

Information contained in this Information Memorandum which is sourced from a third party has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer has also identified the source(s) of such information. The applicable Pricing Supplement will (if applicable) specify the nature of the responsibility taken by the Issuer for the information relating to the underlying asset, index or other asset or basis of reference to which the relevant N&C Securities relate and which is contained in such Pricing Supplement.

The Dealers and the contents of this Information Memorandum

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 Information Memorandum or any other information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Information Memorandum or any other information provided by the Issuer in connection with the Programme.

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

Admission to trading on Euronext Dublin's Global Exchange Market

N&C Securities issued under the Programme to be admitted to Euronext Dublin's Official List and trading on its Global Exchange Market will, because of their nature, normally be bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.

Independent Investigation

Neither this Information Memorandum nor any other information supplied in connection with the Programme or any N&C 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 or any of the Dealers that any recipient of this Information Memorandum or any other information supplied in connection with the Programme or any N&C Securities should purchase any N&C Securities. Each investor contemplating purchasing any N&C Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Information Memorandum nor any other information supplied in connection with the Programme or the issue of any N&C Securities constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any N&C Securities. Furthermore, neither this Information Memorandum, nor any other information supplied in connection with the Programme or any N&C Securities is, nor does it purport to be, investment advice. Unless expressly agreed otherwise with a particular investor, neither the Issuer nor any Dealer is acting as an investment adviser or providing advice of any other nature, or assumes any fiduciary obligation, to any investor in N&C Securities.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any N&C Securities shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as 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 during the life of the Programme or to advise any investor in the N&C Securities of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference in this Information Memorandum (including any documents incorporated by reference pursuant to any supplements hereto) when deciding whether or not to purchase any N&C Securities.

Credit Ratings

The rating of certain Series of N&C Securities to be issued under the Programme may be specified in the applicable Pricing Supplement. Please refer to "*Rating agency credit ratings*" in the "*Risk Factors*" section of this Information Memorandum for further information.

Subscription and sales and transfer restrictions

Persons into whose possession offering material comes must inform themselves about and observe any restrictions in the United States and all other relevant jurisdictions. This Information Memorandum 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*" and "*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*".

Important information relating to the use of this Information Memorandum and offers of N&C Securities generally

This Information Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any N&C 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 Information Memorandum and the offer or sale of N&C Securities may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Information Memorandum may be lawfully distributed, or that any N&C 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 or the Dealers which would permit a public offering of any N&C Securities or distribution of this Information Memorandum in any jurisdiction where action for that purpose is required. In particular, unless indicated to the contrary in the applicable Pricing Supplement, no action has been taken by the Issuer or the Dealers which would permit a public offering of any N&C Securities or distribution of this Information Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no N&C Securities may be offered or sold, directly or indirectly, and neither this Information Memorandum 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 Information Memorandum or any N&C Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Information Memorandum and the offering and sale of N&C Securities. In particular, there are restrictions on the distribution of this Information Memorandum and the offer or sale of N&C Securities in the United States, Switzerland, Taiwan and the EEA (including the United Kingdom, France, Germany, Ireland, Italy, Poland and Spain), see "*Subscription and Sale*".

This Information Memorandum has been prepared on a basis that would permit an offer of N&C Securities with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation to publish a prospectus under the Prospectus Directive (until such time as the Prospectus Directive and any relevant implementing measures in a relevant Member State are repealed) and (from 21 July 2019) the Prospectus Regulation. As a result, any offer of N&C Securities in any Member State of the EEA must be made pursuant to an exemption under the Prospectus Directive or the Prospectus Regulation (as applicable), as implemented in that Member State, from the requirement to publish a prospectus for offers of N&C Securities. Accordingly, any person making or intending to make an offer of N&C Securities in that Member State may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus or a supplement to a prospectus pursuant to, respectively (until the Prospectus Directive and any relevant implementing measures in a relevant Member State are repealed) Article 3 and Article 16 of the Prospectus Directive and (from 21 July 2019) Article 3(1) and Article 23 of the Prospectus Regulation in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of N&C Securities in circumstances in which any obligation arises for the Issuer or any Dealer to publish a prospectus under the Prospectus Directive or the Prospectus Regulation (as applicable) for such offer.

Investment Considerations

Each potential investor in the N&C 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 of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the N&C Securities, the merits and risks of investing in the N&C Securities and the information contained or incorporated by reference in this Information Memorandum 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 N&C Securities and the impact the N&C 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 N&C Securities, including N&C 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 N&C Securities and is familiar with the behaviour of any relevant Reference Item(s) 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.

In addition, an investment in Equity Index Linked N&C Securities, Inflation Index Linked N&C Securities or other structured N&C Securities linked to other assets or bases of reference, 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 N&C Securities that are linked to one or more Reference Item(s)*" below.

Some N&C Securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in N&C Securities which are complex financial instruments unless it has the expertise (either alone or with a financial adviser and/or other professional advisor) to evaluate how the N&C Securities will perform under changing conditions, the resulting effects on the value of the N&C Securities and the impact this investment will have on the potential investor's overall investment portfolio.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the N&C 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 and its affiliates.

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

Purchasers of such N&C 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 N&C 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 N&C Securities are solely responsible for making their own independent appraisal of, and 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). Prospective holders of N&C Securities are advised to seek their own professional advice in relation to the N&C Securities.

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

IMPORTANT – EEA RETAIL INVESTORS

If the Pricing Supplement in respect of any N&C Securities includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the N&C Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC on insurance mediation (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive or (with effect from 21 July 2019) the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (as amended, the "**PRIIPs Regulation**") for offering or selling the N&C Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the N&C Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Pricing Supplement in respect of any issue of N&C Securities may include a legend titled "*MiFID II Product Governance*" which will outline the target market assessment in respect of the relevant N&C Securities and which channels for distribution of the relevant N&C Securities are appropriate. Any person subsequently offering, selling or recommending such N&C Securities (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such N&C Securities (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The consolidated annual financial statements of the Issuer for the years ended 31 December 2016 and 2017 and the condensed consolidated interim financial statements of the Issuer for the half year ended 30 June 2018 were prepared in accordance with International Financial Reporting Standards ("**IFRS**").

In this Information Memorandum, all references to billions are references to one thousand millions. Due to rounding, the numbers presented throughout this Information Memorandum 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; 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 N&C Securities, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot N&C Securities or effect transactions with a view to supporting the market price of the N&C Securities of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. 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 N&C Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of N&C Securities and 60 days after the date of the allotment of the relevant Tranche of N&C Securities. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW OF THE PROGRAMME

This overview must be read as an introduction to this Information Memorandum and any decision to invest in any N&C Securities should be based on a consideration of this Information Memorandum as a whole, including any documents incorporated by reference.

Words and expressions defined in "Form of the N&C Securities" and "General Terms and Conditions of the N&C Securities" shall have the same meanings in this overview.

Description of Programme: Global Structured Solutions Programme (the "**Programme**").

Issuer: Santander UK plc.

Legal Entity Identifier (LEI): PTCQB104N23FMNK2RZ28

Description of Issuer: The Issuer is a wholly owned subsidiary of Santander UK Group Holdings plc, which is a subsidiary of Banco Santander, S.A. which is the ultimate parent company. The Issuer is a limited liability company established under the laws of England and Wales. The Issuer forms part of the Santander Group. The Issuer may be substituted for another entity without the consent of the holders of N&C Securities subject to certain conditions as set out in the terms of the N&C Securities.

Type of N&C Securities: Subject to internal authorisation, the Issuer may from time to time issue notes ("**Notes**") and redeemable certificates ("**Certificates**" and, together with Notes, "**N&C Securities**") pursuant to the Programme.

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

Credit ratings: The long-term debt of the Issuer has been rated A by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), Aa3 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 A-1 by S&P, P-1 by Moody's and F1 by Fitch.

N&C 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 N&C Securities is rated, such rating will be disclosed in the Pricing Supplement and will not necessarily be the same as the rating assigned to the Issuer by the relevant rating agency. The information provided in relation to the credit rating of the Issuer should be read in conjunction with the risk factor headed "*Rating agency credit ratings*".

Distribution: Private and public placement on a syndicated or non-syndicated basis. For the avoidance of doubt, this Information Memorandum has not been approved as a base prospectus for the purposes of the Prospectus Directive or the Prospectus Regulation and, accordingly, no offer to the public may be made for the purposes of that Directive or that Regulation.

Dealers:	Banco Santander, S.A., Santander UK plc and/or any other Dealers appointed in accordance with the Programme Agreement.
Calculation Agent:	Santander UK, unless otherwise specified in the Pricing Supplement.
Principal Paying Agent and Transfer Agent:	Citibank, N.A., London Branch, unless otherwise specified in the Pricing Supplement.
Paying Agent and Transfer Agent:	Citibank Europe plc, unless otherwise specified in the Pricing Supplement.
Registrar:	Citigroup Global Markets Europe AG, unless otherwise specified in the Pricing Supplement.
Redenomination:	See the applicable Pricing Supplement.
Issue Price:	N&C Securities may be issued on a fully-paid or on a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par, as indicated in the applicable Pricing Supplement.
Form of N&C Securities:	<p>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 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. Immobilised Bearer N&C Securities will be issued through Citibank, N.A., London Branch in its capacity as Book-Entry Depository pursuant to an amended and restated N&C Securities Depository Agreement dated 16 August 2018 and will be issued outside the United States in offshore transactions to non-U.S. Persons in reliance upon Regulation S and, in the case of 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, a U.S. Person, in each case as described in "<i>Form of the N&C Securities</i>".</p> <p>If CREST Depository Interests are specified in the applicable Pricing Supplement, investors will hold dematerialised depository interests ("CREST Depository Interests") (which are issued and settled through CREST) constituted and issued by Crest Depository Limited (the "Crest Depository") and representing indirect interests in the N&C Securities (as described in "<i>Book-Entry Clearance Systems and Settlement</i>").</p>
Type of N&C Securities:	<p>The following types of N&C Securities may be issued under the Programme:</p> <p>Fixed Rate N&C Securities, Floating Rate N&C Securities, Dual Currency N&C Securities, Zero Coupon N&C Securities, non-interest bearing N&C Securities, Partly Paid N&C Securities, Partial Redemption N&C Securities and N&C Securities in respect of which payments (whether in respect of principal and/or interest and whether at maturity or otherwise) will be calculated by reference (i.e. "linked") to an</p>

underlying asset or reference basis which may include an equity index, inflation index, interest rate, such Securities including Equity Index Linked N&C Securities, Inflation Index Linked N&C Securities, Interest Rate Linked N&C Securities and Cross Asset Linked N&C Securities (being any combination of any underlying asset or reference basis).

Other types of N&C Securities may also be issued under the Programme and the Pricing Supplement for any such N&C Securities will specify all the terms and conditions applicable thereto, which may or may not include certain or all of the terms and conditions set out in the General Terms and Conditions of the N&C Securities contained herein.

Maturities:

Subject to any applicable legal or regulatory restrictions and the rules from time to time of any relevant central bank (or equivalent body), see the applicable Pricing Supplement.

Interest:

Interest periods, rates of interest and the terms of and/or amounts payable on any interest payment date may differ depending on the N&C Securities being issued, in each case as specified in the applicable Pricing Supplement.

Redemption:

The applicable Pricing Supplement will indicate either that the relevant N&C Securities cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or following an Event of Default or for certain other specified events) or that such N&C Securities will be redeemable, on notice, at the option of the Issuer and/or the N&C Securityholders, on a date(s) specified prior to such stated maturity or automatically upon the occurrence of certain specified events or on a date(s) after the stated maturity following specified events noted in the Conditions and/or the applicable Pricing Supplement and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer as indicated in the applicable Pricing Supplement.

The applicable Pricing Supplement may provide that (i) N&C Securities are Partial Redemption N&C Securities and will be redeemable in two instalments or (ii) that N&C Securities may otherwise be redeemable in two or more instalments of, in each case, such amounts and on such dates as indicated in the applicable Pricing Supplement.

Denomination of N&C Securities:

N&C Securities issued by nominal amount will be issued in such denominations as indicated in the applicable Pricing Supplement save that the minimum denomination of each N&C Security will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. Where specified in the applicable Pricing Supplement, N&C Securities will also be issued in units.

No sales of Legended N&C Securities in the United States to any one purchaser will be for less than U.S.\$100,000 (or its equivalent in the relevant currency).

Taxation:

All payments in respect of the N&C Securities will be made without deduction for or on account of withholding taxes

imposed by any Tax Jurisdiction or pursuant to FATCA unless such deduction is required as provided in N&C Security Condition 7 (*Taxation*). In the event that any such deduction is required, the Issuer will not be required to pay any additional amounts to cover the amounts so deducted. Further, all payments in respect of the N&C Securities will be made subject to any withholding or deduction required pursuant to fiscal and other laws, as provided in N&C Security Condition 5.4(b) (*General provisions applicable to payments*).

Events of Default:

The terms of the N&C Securities will contain, amongst others, events of default for non-performance or non-observance of the Issuer's obligations in respect of the N&C Securities and events relating to the insolvency or winding-up of the Issuer.

It is a condition precedent to a relevant event being treated as an event of default that at least 25 per cent. of N&C Securityholders in nominal amount or number of units, as applicable, have requested this.

Use of Proceeds:

The net proceeds from each issue of N&C Securities will be applied by the Issuer for its general corporate purposes and any particular identified use will be stated in the applicable Pricing Supplement.

Listing and Admission to Trading:

N&C Securities may be:

- (a) admitted to the Official List of Euronext Dublin and to trading on the Global Exchange Market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purposes of MiFID II;
- (b) listed or admitted, as the case may be, on other or further stock exchange(s) or markets (other than in respect of an admission to trading on any market in the EEA which has been designated as a regulated market for the purposes of the Prospectus Directive or the Prospectus Regulation); or
- (c) neither listed nor admitted to trading on any market,

in each case, as indicated in the applicable Pricing Supplement in relation to each Series.

Governing Law:

The N&C Securities and any non-contractual obligations arising out of or in connection with the N&C Securities will be governed by, and construed in accordance with, English law.

Selling Restrictions:

Restrictions apply to offers, sales or transfers of N&C Securities in various jurisdictions. See the sections headed "*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*" and "*Subscription and Sale*" in this Information Memorandum. Additional selling restrictions may apply as specified in the applicable Pricing Supplement. In all jurisdictions offers, sales or transfers may only be effected to the extent lawful in the relevant jurisdiction.

Certain Restrictions:

Each issue of N&C Securities, denominated in a currency in respect of which particular laws, guidelines, regulations,

restrictions or reporting requirements apply, will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*" and "*Subscription and Sale*").

Risk Factors:

Each prospective investor should consult its own financial and legal advisers about the risks associated with an investment in the N&C Securities and the suitability of an investment in the relevant N&C Securities in light of its particular circumstances.

Certain factors may affect the Issuer's ability to fulfil its obligations under N&C Securities issued under the Programme. These are set out under "*Risk Factors*" in this Information Memorandum and include, but are not limited to, risks concerning the creditworthiness of the Issuer, general economic conditions, competition in the financial services industry, regulatory and legislative change, operational risks, potential conflicts of interest and the risk that hedging and trading activity by the Issuer or any of its affiliates may affect the value of N&C Securities. Additionally, the risks relating to investment in the N&C Securities depend on their features and may include, *inter alia* (as more fully described under "*Risk Factors*") 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 N&C Securities, including with respect to certain underlyings, no claim against the Reference Item, partly-paid N&C Securities, exchange rate risks, settlement disruption, illegality and cancellation, time lag after redemption, settlement risk, possible illiquidity of N&C Securities, equity risk, currency risk, commodity risk, underlying volatility risk, fund risk, failure to deliver due to illiquidity, inflation risk, modification, meetings, market disruption, optional redemption, minimum denomination, transfer restrictions and exchange listing and legal regulation risk.

In addition, for certain of the N&C Securities, various events in relation to the relevant underlying asset or reference basis may lead to adjustments to or early redemption or cancellation of the N&C Securities and there are certain factors which are material for the purpose of assessing the market risks associated with N&C Securities issued under the Programme (see "*Risk Factors*" in this Information Memorandum).

RISK FACTORS

An investment in the N&C Securities may involve a high degree of risk. In purchasing N&C Securities, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the N&C Securities. There are a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the N&C Securities. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer 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 control. The Issuer has identified in this Information Memorandum a number of factors which could materially adversely affect their businesses and ability to make payments due under the N&C Securities.

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

Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum 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" below or elsewhere in this Information Memorandum have the same meanings in this section.

Contents of the Risk Factors	
1.	Key risks with respect to an investment in the N&C Securities
2.	General risks relating to an investment in the N&C Securities
3.	Risks associated with the N&C Securities
4.	Risks associated with N&C Securities that are linked to one or more Reference Item(s)
5.	Risk factors relating to the Issuer and the Group

1. **Key risks with respect to an investment in the N&C Securities**
 - 1.1 **Investors in N&C Securities may lose some or all of their investment in the N&C Securities as a result of the occurrence of any one or more of the following events:**
 - (a) the terms of certain N&C Securities do not provide for full repayment of the initial purchase price upon final settlement and/or early termination of such N&C 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 may be less than the initial purchase price. The pay-out formula of N&C Securities may provide for the return of the initial purchase price at final termination. These N&C Securities are sometimes referred to as being "capital protected" on final termination. Investors in N&C 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 N&C 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 N&C Securities;
 - (b) the Issuer of the relevant N&C Securities is subject to insolvency proceedings or some other event impairing its ability to meet its obligations under the N&C Securities;
 - (c) the investor seeks to sell the relevant N&C Securities prior to their scheduled termination, and the sale price of the N&C Securities in the secondary market is less than the purchaser's initial investment;

(d) the relevant N&C Securities are subject to certain adjustments in accordance with the terms and conditions of such N&C Securities that may result in the scheduled amount to be paid 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 N&C Securities are unsecured obligations of the Issuer**

All N&C Securities will represent direct, unconditional and unsecured obligations of the Issuer. All N&C 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.

As the N&C Securities are unsecured, investors are dependent on the Issuer's ability to pay all amounts due on the N&C Securities. Investors are therefore subject to the Issuer's credit risk and, in the event of the Issuer failing, to the resolution, insolvency and administration procedures described in the section "*Risk factors relating to the Issuer and the Group*" below. 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's ability to meet its obligations in full. Where the Issuer is 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.

1.3 **No government or other protection**

The N&C Securities are not savings accounts or deposits of the Issuer or any member of the Santander Group. The N&C 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 N&C Securities**

2.1 **The N&C Securities may not be suitable for all investors**

Each potential investor in the N&C 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 N&C Securities, the merits and risks of investing in the N&C Securities and the information contained or incorporated by reference in this Information Memorandum 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 N&C Securities and the impact the N&C 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 N&C Securities, including N&C 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 N&C Securities and be familiar with the behaviour of any relevant Reference Item(s) 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 N&C Securities may be more than the market value of such N&C Securities as at the Issue Date, and the price of the N&C Securities in secondary market transactions

The Issue Price in respect of any N&C Securities specified in the relevant Pricing Supplement may be more than the market value of such N&C Securities as at the relevant Issue Date, and the price, if any, at which the relevant Dealer(s) or any other person is willing to purchase such N&C Securities in secondary market transactions may be lower than the Issue Price in respect of such N&C Securities. In particular, the Issue Price in respect of any N&C 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 N&C Securities as well as up-front payments or other amounts relating to the hedging of the Issuer's obligations under such N&C 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 N&C Securities and any bid and offer prices quoted by the Issuer, any Affiliate or any third party. Such differences may be greater when the N&C Securities are initially traded on any secondary markets and may gradually decline in value during the term of the N&C Securities.

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

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

Prospective investors in the N&C Securities should be aware that the purchase/offer price of a N&C Security does not necessarily reflect its inherent value. Any difference between a N&C 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 N&C Securities, where permitted by applicable law. For further information prospective investors should refer to the party from whom they are purchasing the N&C Securities for details of any such commission or fee payment and any potential conflicts of interest before making any purchase of the N&C Securities. Prospective investors may also wish to seek an independent valuation of N&C Securities prior to their purchase.

(b) *Effect of credit ratings of the Issuer*

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

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

N&C 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 N&C Securities will depend upon the performance of such Reference Item(s). Investors should not invest in any N&C Securities if they do not fully understand how the performance of the Reference Item(s) may affect the pay-out and value of the N&C 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 in respect of N&C Securities are linked to the performance of the Reference Item(s), an investor in such a N&C 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 Pricing Supplement. However, it is impossible to make such predictions with any degree of certainty, and investors in N&C 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 N&C Security.

In contrast to a direct investment in the Reference Item(s), N&C Securities represent the right to receive payment 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 N&C 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) and any payments received by an investor pursuant to the N&C Securities may not reflect the return an investor would receive if it actually owned the Reference Item(s).

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

The market value of the N&C Securities at any time will be affected by a number of factors independent of the creditworthiness of the Issuer 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 N&C Securities and/or of any Reference Item(s) in the secondary market;
- (iv) the time remaining to any redemption date or maturity 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; and
- (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 N&C Securities or Reference Item(s) may be traded.

The amount(s) which are or may be payable in respect of N&C Securities are typically expected to be but do not have to be greater than the trading price of such N&C 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 N&C Securities. The "time value" of the N&C 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 N&C Securities, holders should carefully consider, among other things, (i) the trading price of the N&C Securities, (ii) the value and volatility of the Reference Item(s), (iii) the time remaining to termination, (iv) the possible range of amounts payable on the N&C 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 global credit market conditions, whereby there may be a general lack of liquidity in the secondary market for many types of instruments, which may include unsecured debt instruments similar to the N&C Securities. Such lack of liquidity may result in investors suffering losses on the N&C 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 such circumstances may change and whether, if and when they do change, there will be a more liquid market for the N&C Securities at that time.

Certain countries in Europe currently still have large sovereign debts and/or fiscal deficits and this has led to recent uncertainties in the markets as to whether or not the governments of those countries will be able to pay in full and on time the amounts due in respect of those debts. These concerns might 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 concerns over sovereign and bank solvency increases, 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 N&C Securities.

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

Where the N&C Securities reference one or more Reference Items, the holders of such N&C 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 and return on the N&C Securities.

(g) ***The market value of N&C Securities and the amount payable on the N&C 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 with respect to the N&C 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 N&C Security may be greater than any positive and/or negative performance of the Reference Item(s). N&C 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 N&C Securities.

Where a formula used to determine the amount(s) payable with respect to the N&C 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 N&C Security may be less than any positive and/or negative performance of the Reference Item(s). N&C 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 N&C Securities.

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

Investors should note that, in certain circumstances immediately following the issue of the N&C Securities, the secondary market price of the N&C 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 N&C Securities**

(a) ***The Issuer cannot assure a trading market for the N&C Securities will ever develop or be maintained***

The Issuer may issue N&C Securities in different series with different terms in amounts that are to be determined. Such N&C Securities may be unlisted or listed on a recognised stock exchange and there can be no assurance regarding the ability of N&C Securityholders to sell their N&C Securities or the price at which such holders may be able to sell their N&C Securities. Investors should however, be aware that there may be a general lack of liquidity in the secondary market for many types of instruments, including unsecured debt instruments similar to the N&C Securities, which may result in investors suffering losses on N&C Securities in secondary resales even if there is no decline in the performance of the Reference Item(s) or of the Issuer. The Issuer cannot predict when market

conditions may change and whether, if and when they do change, there will be a more or a less liquid market for the N&C Securities as a result. If a trading market were to develop, the N&C 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 N&C Securities, depending on many factors, including:

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

In addition, certain N&C 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 N&C Securities. This may affect the price an investor receives for such N&C Securities, or the ability of an investor to sell such N&C Securities at all.

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

The Issuer is not required to maintain the listing on such stock exchange or any other exchange. The price at which the N&C 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.

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

There may be less liquidity in the secondary market for the N&C 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 N&C Securities may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his N&C Securities***

N&C 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 N&C 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 N&C 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 N&C 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 N&C Securities at any price in the open market or by tender or private treaty. Any N&C 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 N&C Securities. Even if a Dealer is a market-maker for an issue of N&C Securities, the secondary market for such N&C Securities may be limited. In addition, affiliates of the Issuer (including, if applicable, any Dealer) may purchase N&C Securities at the time of their initial distribution and from time to time thereafter.

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

The N&C Securities have not been, and will not be, registered under the Securities Act or any other securities laws. Accordingly, the N&C 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 cannot be certain of the existence of a secondary market for the N&C Securities or the liquidity of such market if one develops. Consequently, a N&C Securityholder must be able to bear the economic risk of an investment in such N&C Securities for an indefinite period of time.

2.5 **There may be price discrepancies with respect to the N&C 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 N&C Securities or otherwise values N&C Securities, that price may be significantly different (higher or lower) from any price quoted by any member of the Santander Group. Furthermore, if any N&C Securityholder sells their N&C Securities, the N&C Securityholder will likely be charged a commission for secondary market transactions, or the price may reflect a dealer discount.

2.6 **The N&C Securities may be terminated prior to their scheduled maturity**

In certain circumstances, the Early Redemption Amount payable on the termination of a N&C Security prior to its scheduled maturity may be less than its original purchase price and could be as low as zero.

Following early termination of N&C Securities, the holders of such N&C 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 N&C Securities and may only be able to do so at a significantly lower rate. Investors in N&C Securities should consider such reinvestment risk in light of other investments available at that time.

N&C 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 N&C Securities and/or the applicable Pricing Supplement;
- (ii) the exercise by the Issuer of a call option, if specified to be applicable in the relevant Pricing Supplement;
- (iii) the exercise by the N&C Securityholder of a put option, if specified to be applicable in the relevant Pricing Supplement;
- (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 N&C Security has become unlawful in whole or in part for any reason (see N&C Security Condition 6.4 (*Redemption for illegality*));
- (vi) the Calculation Agent determines that a change in applicable law or regulation has occurred and solely by reason of the N&C 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 6.5 (*Regulatory Redemption Event*));
- (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 6.6 (*Redemption for tax reasons*));
- (viii) the Calculation Agent determines that an Administrator/Benchmark Event has occurred and the Issuer elects to redeem the N&C Securities rather than make adjustments to them (see N&C Security Condition 6.7 (*Redemption or adjustment for an Administrator/Benchmark Event*)); or
- (ix) following an Event of Default (see N&C Security Condition 9 (*Events of Default*)).

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 in respect of each N&C Security shall (if "Market Value" is specified in the applicable Pricing Supplement and unless otherwise specified in the relevant Pricing Supplement) be an amount determined by the Calculation Agent as representing the fair market value of such N&C 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 N&C Securities of any type whatsoever hedging the Issuer's obligations under the N&C Securities). An investor in N&C Securities should be aware that this Early Redemption Amount may be less than the investor's initial investment, and should also consider Risk Factor 1.1 (*Investors in N&C Securities may lose some or all of their investment in the N&C 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 Information Memorandum 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, type of return or suitability of the N&C Securities as an investment but may affect the value of the N&C 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 N&C Securities may reduce. A rating is not a recommendation to buy, sell or hold any N&C 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) *Use of credit ratings assigned to a particular series of N&C 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 N&C Securities. In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to 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 credit rating agencies and ratings is set out in this Information Memorandum and may be set out in the applicable Pricing Supplement.

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.

(c) ***Credit ratings assigned to the Issuer or any N&C Securities may not reflect all the risks associated with an investment in those N&C Securities***

Any credit rating assigned to the Issuer or a Series of N&C Securities may not reflect the potential impact of all risks related to the structure, market or additional factors discussed above, and other factors that may affect the value of those N&C Securities. A reduction in the rating, if any, accorded to outstanding debt securities of the Issuer could result in a reduction in the trading value of the N&C 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**

If an issue of N&C 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 N&C Securities may have an adverse effect on the value of such N&C Securities.

2.9 **Potential conflicts of interest**

(a) ***Role of Santander UK***

Santander UK is acting in a number of capacities (e.g. Issuer, Calculation Agent and Dealer) in connection with the transactions described in this Information Memorandum. Santander UK, 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. Santander UK, 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, Santander UK and/or any of its affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in any Reference Item(s), a component security of any Reference Item(s), or related derivatives. In addition, in connection with the offering of any N&C Securities, Santander UK and/or any of its affiliates may enter into one or more hedging transactions with respect to any Reference Item(s), a component security of 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 Santander UK and/or any of its affiliates, Santander UK and/or any of its affiliates may enter into transactions in any Reference Item(s), a component security of any Reference Item(s), or related derivatives which may affect the market price, liquidity or value of the relevant N&C Securities and which could be deemed to be adverse to the interests of the relevant N&C Securityholders. Such transactions could present certain conflicts of interest with the interest of holders and may affect the value of the N&C Securities.

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

Santander UK in its capacity as Issuer, Calculation Agent and/or Dealer or any other 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 N&C Securities and may or may not be publicly available to N&C Securityholders. There is no obligation on any such party to disclose to N&C Securityholders any such information.

Where the N&C Securities, or arrangements linked thereto, are offered to the public, as the Dealer(s) and any distributors act pursuant to a mandate granted by Santander UK and they receive fees on the basis of the services performed and the outcome of the placement of the N&C 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 N&C 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 N&C 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 N&C 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 MiFID II, or as otherwise may apply in any non-EEA jurisdictions. Investors in N&C 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 N&C 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 N&C 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 N&C Securities.

2.10 Calculation Agent's discretion

The Calculation Agent (which may be Santander UK or an affiliate of Santander UK) has a very broad discretionary authority to make various determinations and adjustments under the N&C Securities, any of which may have an adverse effect on the value and/or the amounts payable under the N&C 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 Pricing Supplement. 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 N&C 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 N&C Securityholders.

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

The General Terms and Conditions of the N&C Securities contain provisions for calling meetings of N&C Securityholders to consider matters affecting their interests generally including, without limitation, modifications of certain provisions of the relevant N&C 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 Security Condition 15 (*Meetings of N&C Securityholders and Modifications*)) to bind all

N&C Securityholders including N&C Securityholders who did not attend and vote at the relevant meeting and N&C Securityholders who voted in a manner contrary to the majority.

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

- (i) certain modifications of the N&C Securities, including:
 - (A) any modification of 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 the Conditions, the N&C 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 N&C Securities would not otherwise represent the intended terms of the N&C Securities on which the N&C 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 N&C Securities in place of the Issuer, in certain circumstances.

2.12 Potential investors should consider certain legal and tax consequences of investing in the N&C Securities

(a) *Characterisation of the N&C Securities*

The appropriate characterisation of the N&C Securities under various legal investment restrictions, and thus the ability of potential investors subject to those restrictions to purchase the N&C Securities, may be subject to significant interpretative uncertainties. No representation is made as to the proper characterisation of the N&C 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 N&C 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 N&C 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 N&C Securities on their tax position should consult their tax adviser. Neither the Issuer nor any of its affiliates provides tax or legal advice.

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

(b) *Taxation and Expenses*

Potential purchasers and sellers of N&C Securities should be aware that they may be required to pay stamp taxes or other documentary or transaction charges in accordance with the laws and practices of the United Kingdom or any country where the N&C Securities are transferred and/or any assets are issued, located or delivered. N&C Securityholders are subject to the provisions of the Conditions and payment of any amount due in respect of the N&C 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 N&C Securities applicable as at the date of publication of the specific Pricing Supplement may be amended during the life of the N&C Securities, nor can it be excluded that, in case of amendments, the net values indicated with respect to the N&C Securities may

differ, even substantially, from those which will effectively apply to the N&C Securities as at the various payment dates, as indicated in the relevant Pricing Supplement.

To that end, the section "*Taxation*" in this Information Memorandum sets out a brief description of the tax regime applicable to the purchase/subscription, ownership or disposal of the N&C Securities for certain categories of investors, based on the tax laws in force in certain jurisdictions as at the date of this Information Memorandum. 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.

(c) ***U.S. withholding on dividend equivalent payments***

Section 871(m) of the U.S. Internal Revenue Code of 1986 (the "**Code**") imposes a 30 per cent. withholding tax on amounts attributable to U.S. source dividends that are paid or "deemed paid" under certain financial instruments that directly or indirectly reference shares of U.S. corporations and if certain conditions are met. 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.

Please see "*Taxation - U.S. Dividend Equivalent Withholding*" below for further information.

(d) ***No additional amounts will be payable***

The Issuer will not pay any additional amounts in connection with any payments to be made under the N&C Securities as a result of any withholding or deduction required by law or in connection with FATCA.

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

2.14 **Hedging**

In connection with the offering of the N&C Securities, the Issuer and/or any of its 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 N&C Securities are related. In connection with such hedging activities or with respect to proprietary or other trading activities by the Issuer and/or any of its affiliates or other parties, the Issuer 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 N&C Securities and which could be deemed to be adverse to the interest of the relevant N&C Securityholders.

It may not be possible to use the N&C Securities as a perfect hedge against the market risk associated with investing in a Reference Item. Prospective purchasers intending to purchase N&C Securities to hedge against the market risk associated with investing in a Reference Item should recognise the complexities of utilising N&C Securities in this manner. For example, the value of the N&C Securities may not exactly correlate with the value of the Reference Item. Due to fluctuating supply and demand for the N&C 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 N&C 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 N&C 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 N&C 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 N&C 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 N&C 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 (such as Zero Coupon N&C Securities) 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 N&C Securities include leverage, potential holders of such N&C Securities should note that these N&C 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 N&C Securities if they fully understand the effects of leverage and are willing to risk the potential losses that might arise as a consequence of an investment in such leveraged N&C Security.

2.19 Emerging markets risks

Where the N&C 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 N&C 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 N&C Securities.

- **Currency risk:** Reference Item(s) or N&C 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. See "*Currency risk in N&C Securities and Reference Items generally*" below.
- **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 N&C 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 N&C Securities.

2.20 Discontinuation or withdrawal of offer period

Unless otherwise specified in the applicable Pricing Supplement, the offer period in relation to any N&C Securities may be discontinued at any time.

In addition under certain circumstances indicated in the applicable Pricing Supplement, the Issuer and/or the other entities indicated in the Pricing Supplement 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 Pricing Supplement. 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 Pricing Supplement, the Issuer and/or the other entities specified in the applicable Pricing Supplement 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 Pricing Supplement) has not been reached. In such circumstances, the early closing of the offer may have an impact on the aggregate number of N&C Securities issued and, therefore, may have an adverse effect on the liquidity of the N&C Securities.

Furthermore, under certain circumstances, the Issuer and/or the other entities indicated in the applicable Pricing Supplement will have the right to postpone the originally designated Issue Date. 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 N&C 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 N&C Securities by the Issuer

As part of its issuing, market-making and/or trading arrangements, the Issuer may issue more N&C Securities than those which are to be subscribed or purchased by third party investors. The Issuer (or any of its affiliates) may hold such N&C Securities for the purpose of meeting any investor interest in the future. Prospective investors in the N&C 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 Pricing Supplement and save as required by any applicable laws and regulations, the Issuer will not provide post-issuance information in relation to the N&C Securities or the Reference Item.

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

In the case of N&C 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 N&C Securities**"), the disclosure in relation to the Reference Item(s) to which the relevant Inventory N&C Securities may be linked as set forth in the Pricing Supplement 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 Dealer or any other member of the Santander Group, each of which disclaim any responsibility for such information. Such information may be out of date and none of the Issuer, 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 Pricing Supplement, this may have an adverse effect on the pay-out and/or value of the relevant Inventory N&C Securities. Furthermore, any change in the situation or condition of the Issuer since the date of the Pricing Supplement will not be disclosed and may have an adverse effect on the value of the relevant Inventory N&C Securities.

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

The Issuer will pay principal, interest and other amounts on the N&C Securities 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 (i) the Investor's Currency-equivalent yield on the N&C Securities, (ii) the Investor's Currency equivalent value of the principal payable on the N&C Securities, and (iii) the Investor's Currency equivalent market value of the N&C 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 to make payments in respect of the N&C Securities. As a result, investors may receive less interest or principal or settlement amount than expected, or no interest or principal or settlement amount.

2.25 The Issuer may rely on third parties and the N&C Securityholders may be adversely affected if such third parties fail to perform their obligations

The Issuer may be a party to contracts with a number of other third parties that have agreed to perform services in relation to the N&C Securities. For example, the Paying Agents have agreed to perform services in connection with the N&C Securities; and Euroclear and Clearstream, Luxembourg have, in respect of N&C Securities in global form deposited with them ("**Global N&C Securities**"), agreed, *inter alia*, to accept such Global N&C 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 N&C 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 N&C Securityholders may be adversely affected.

2.26 The Issuer may be prohibited from physically delivering bearer N&C Securities

The Issuer may be prohibited from physically delivering definitive N&C Securities in bearer form by the laws of a N&C Securityholder's jurisdiction. In these circumstances, any definitive N&C Security in bearer form may be delivered to a nominated custodian in a jurisdiction where such prohibition does not exist. For further guidance on restrictions on physical delivery of N&C Securities, investors should seek professional advice.

2.27 The N&C Securities may have a Minimum Tradeable Size

Prospective investors should be aware that for any N&C Security which has a Minimum Tradeable Size specified in the applicable Pricing Supplement and a smaller minimum Specified Denomination, it is possible that such N&C Securities may only be traded in a nominal amount, for a consideration or in the number, as the case may be, that is at least equal to the Minimum Tradeable Size. In such a case, a holder who holds a nominal amount or number of N&C Securities or wishes to transfer a nominal amount or number of N&C Securities which is less than the Minimum Tradeable Size will be unable to sell or transfer such holding. If a holder holds a nominal amount or number of N&C Securities that is less than the Minimum Tradeable Size, in order for such holder to sell or transfer its holding of N&C Securities such holder would first need to purchase such additional identical N&C Securities such that it is in a position to sell or transfer a total nominal amount or number, as the case may be, of N&C Securities at least equal to the Minimum Tradeable Size. Investors should be aware that it may not always be possible to purchase such additional N&C Securities and as such they may be unable to sell or transfer any such holding.

If N&C Securities which have a Minimum Tradeable Size are in definitive form, holders should be aware that definitive N&C Securities with a denomination that is less than the Minimum Tradeable Size may be illiquid or difficult to trade.

2.28 The Issuer may be substituted for another entity without the consent of the holders of N&C Securities

The Issuer (or any previously substituted company as issuer from time to time) shall, without the consent of the holders of N&C Securities, 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 N&C Securities. Any such substitution is subject to certain conditions, including the creditworthiness of the Substitute Issuer. Nevertheless, substitution of the Issuer for a Substitute Issuer could have a material adverse effect on the return on and value of the N&C Securities.

3. Risks associated with the N&C Securities

3.1 Risk of capital loss

The Issuer shall redeem N&C Securities by payment of a cash amount. In certain circumstances, the cash amount payable on redemption of any 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.

3.2 The inclusion of an Issuer call option in respect of N&C 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 N&C 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 N&C Securities

If the applicable Pricing Supplement specifies 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 N&C Securityholder. As a consequence, part of the capital invested by the N&C Securityholder may be lost, so that the N&C 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 Pricing Supplement. 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 Pricing Supplement) 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 N&C 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 N&C 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 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 Pricing Supplement.

3.5 Time lag after redemption

Unless otherwise specified in the relevant Pricing Supplement, in the case of N&C Securities which the Issuer is required to redeem prior to the Maturity Date at the option of the N&C Securityholder, there will be a time lag between the time a N&C 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 N&C 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 Eurosystem Eligibility in relation to N&C Securities

The European Central Bank (the "ECB") 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 N&C Security for the Eurosystem.

3.7 Investors who hold less than the minimum Specified Denomination may be unable to sell their N&C Securities and 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 in excess of the minimum Specified Denomination 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 would not be able to sell the remainder of such holding without first purchasing a principal amount of N&C Securities at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, 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 definitive 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 at or in excess of the minimum Specified Denomination 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 N&C Securityholder under the N&C Securities.

3.9 Limitations on ownership of Book-Entry Interests

Ownership of European 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. European 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 N&C Securityholders of such N&C Securities for any purpose.

3.10 **CDI Record Date**

Whenever the Book-Entry Depository 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 Depository of a record date (each a "**Record Date**") for the determination of the number of units or principal amount represented by the corresponding CDI. The Issuer will, in respect of any payment made in respect of an Immobilised Bearer Global N&C Security, determine such Record Date to be the close of the business day (being for this purpose a day on which each of Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date. Subject to the provisions of the N&C Securities Depository 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 N&C Securities**") to which such CREST Depository Interests relate. CREST Depository Interests are separate legal instruments from the Underlying N&C Securities and represent indirect interests in the interests of the CREST Nominee (as defined below) in such Underlying N&C Securities. CREST Depository Interests will be issued by the CREST Depository to investors and will be governed by English law.

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

CREST International Nominees Limited or another entity appointed to act as nominee (the "**CREST Nominee**") in accordance with the CREST Global Deed Poll dated 25 June 2001 (as amended) (the "**CREST Deed Poll**") (in the form from time to time contained in Chapter 8 of the CREST International Manual (January 2018) (the "**CREST International Manual**" (which forms part of the document entitled the 'CREST Manual' issued by CREST (the "**CREST Manual**")), will hold the legal title to the Underlying N&C Securities and the direct enforcement right in respect of the Underlying N&C 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 N&C Securities in the event of any insolvency or liquidation of any relevant intermediary, in particular where the Underlying N&C 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 N&C 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 depositories and custodians described above. The enforcement of rights in respect of the Underlying N&C 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 N&C Securities in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying N&C 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 N&C Securityholders, the Issuer 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 N&C 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 and the CREST Rules (also contained in the CREST Manual) applicable to the CREST International Settlement Links Service, in each case as amended, modified, varied or supplemented from time to time. 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 pursuant to or 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 N&C 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 N&C Securities through the CREST International Settlement Links Service.

Investors in CREST Depository Interests should note that none of the Issuer, 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 Rate 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 conventional 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 Inter-bank 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 N&C Securities that are linked to one or more Reference Item(s)**

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

The N&C 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 other underlying assets (each a "**Reference Item**", which definition may include, where appropriate, a component security of such a Reference Item) which may be specified in the applicable Pricing Supplement, and general risks applicable to the stock market (or markets) and capital markets. N&C 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) 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 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 Pricing Supplement, 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 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 Pricing Supplement as having a minimum redemption amount, such N&C Securities are principal (or capital) protected at maturity only and only to such extent. If N&C Securities are redeemed or sold before their scheduled maturity, 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 N&C 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 N&C 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'S ABILITY TO MEET ITS OBLIGATIONS IN FULL. WHERE THE ISSUER 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 N&C SECURITY AND MAY LOSE ALL OF THEIR INVESTMENT.

Investments in N&C 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 N&C Securities and the suitability of such N&C 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 N&C 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 N&C Securities.

In order to realise a return upon an investment in a N&C 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 N&C Security is redeemed or settled, part of the investor's investment in such N&C 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 N&C Securityholder, it is likely that the only means by which a N&C Securityholder can realise value from its N&C Securities prior to their Maturity Date is to sell such N&C Securities at their then market price in the secondary market (if available) (see "*The Issuer cannot assure a trading market for the N&C Securities will ever develop or be maintained*" above).

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 date 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 N&C 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 N&C 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 N&C Securities contains a multiplier or leverage factor, the effect of any fluctuation in the value of the Reference Items to which the N&C 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 N&C Security.

The price at which a N&C Securityholder will be able to sell N&C Securities prior to maturity may be at a discount, which could be substantial, to the market value of such N&C 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 N&C Security.

Additionally, there may be regulatory and other ramifications associated with the ownership by certain investors of N&C Securities linked to certain Reference Items. Each purchaser of N&C Securities must conduct its own investigation into its regulatory position with respect to the potential purchase of N&C Securities, and none of the Issuer, the Dealer or the Calculation Agent assumes any obligation or liability whatsoever to such purchaser in such regard.

None of the Issuer, the 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 N&C 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, sponsor 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 and/or Dealer of the N&C Securities is any form of investment recommendation by it or any of its affiliates.

4.2 No Claim against any Reference Item

A N&C Security will not represent a claim against any Reference Item and, in the event of any loss, a N&C Securityholder will not have recourse under a N&C Security to any Reference Item. The N&C 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 N&C Securityholders.

4.3 There are certain risks in N&C Securities that include an averaging feature

The calculation of the performance of a Reference Item in respect of certain N&C 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 N&C 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).

4.4 United States CFTC "commodity pool" regulations

Unlike an investment in the N&C Securities, an investment in a collective investment vehicle that invests in futures or swap contracts linked to interest rates, exchange rates, broad-based credit indices (such as the CDX Index or the iTraxx Index) and broad-based equity indices (such as the S&P 500 Index) on behalf of its participants may be regulated as a commodity pool and its operator may be required to be registered with and regulated by the CFTC as a commodity pool operator. The Issuer's board of directors will not be registered with the CFTC as a commodity pool operator, and the N&C Securityholders will not benefit from the CFTC's or any non-U.S. regulatory authority's regulatory

protections afforded to persons who trade in futures or swap contracts or who invest in regulated commodity pools.

Indices to which Index Linked N&C Securities may be indexed may include over-the-counter contracts (such as swaps and forward contracts) traded on trading facilities that are subject to lesser degrees of regulation or, in some cases, no substantive regulation. As a result, trading in such contracts, and the manner in which prices and volumes are reported by the relevant trading facilities, may not be subject to the same provisions of, and the protections afforded by, the CEA, or other applicable United States or foreign statutes and related regulations, that govern trading on regulated futures exchanges. In addition, many electronic trading facilities have only recently initiated trading and do not have significant trading histories. As a result, the trading of contracts on such facilities and the inclusion of such contracts in the relevant Index (as specified in the applicable Pricing Supplement) may be subject to certain risks not presented by most exchange-related futures contracts, including risks related to the liquidity and price histories of the relevant contracts. At the same time, legislation recently implemented in the United States and in the European Union (the "EU") increased the regulation of many of these over-the-counter contracts, including in some cases requiring them to be cleared and traded through regulated facilities, although the extent and nature of such regulation differs from the regulation of futures.

4.5 Legal and regulatory changes relating to underlying assets may lead to an early redemption or early cancellation

Underlying assets (such as commodities, interest rates, exchange rates, broad-based credit indices and broad-based equity indices) are subject to legal and regulatory regimes that may change in ways that could affect the ability of the Issuer and/or any entities acting on behalf of the Issuer engaged in any underlying or hedging transactions in respect of the Issuer's obligations in relation to the N&C Securities to hedge the Issuer's obligations under the N&C Securities, and/or could lead to the early termination of the N&C Securities.

Underlying assets are subject to legal and regulatory regimes in the United States and, in some cases, in other countries that may change in ways that could negatively affect the value of the N&C Securities. For example, on 16 December 2015, the CFTC adopted final rules to establish initial margin and variation margin requirements for uncleared swaps. Such rules began to phase in beginning 1 September 2016. Such rules could have an unpredictable impact on the value of any N&C Securities. In addition, if the commodities are traded on a non-U.S. exchange, those foreign markets may be more susceptible to disruption than U.S. exchanges due to the lack of a government-regulated clearing house system and may be subject to exchange controls, expropriation, burdensome or confiscatory taxation, or moratoriums and political or diplomatic events.

In addition, if the Calculation Agent determines that an Additional Disruption Event has occurred, the Issuer may either (a) redeem or cancel the N&C Securities prior to maturity or settlement by payment of an Early Redemption Amount which may be less than the purchase price of the N&C Securities or (b) amend the terms of the N&C Securities instead as it determines appropriate to account for such event. If the payment on the N&C Securities is accelerated, a holder's investment may result in a loss and a holder may not be able to reinvest the proceeds in a comparable investment. An Additional Disruption Event includes any legal or regulatory changes that the Calculation Agent determines have interfered with the ability of the Issuer and/or any entities acting on behalf of the Issuer engaged in any underlying or hedging transactions in respect of the Issuer's obligations in relation to the N&C Securities to hedge the Issuer's obligations under the N&C Securities, or if for any other reason the Issuer and/or any entities acting on behalf of the Issuer engaged in any underlying or hedging transactions in respect of the Issuer's obligations in relation to the N&C Securities is/are unable to enter into or maintain hedge positions to hedge the Issuer's obligations under the N&C Securities.

4.6 Risks relating to Equity Index Linked N&C Securities

The Issuer may issue Equity Index Linked N&C 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 N&C Securities should be aware that, depending on the terms of the Equity Index Linked N&C 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 N&C 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 N&C 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 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 N&C Securities, and/or may delay settlement in respect of the N&C Securities. In addition certain extraordinary events may lead to early termination of the N&C Securities and such an event may have an adverse effect on the value of the N&C Securities. Whether and how such provisions apply to the N&C Securities can be ascertained by reading the Equity Index Linked Conditions in conjunction with the applicable Pricing Supplement.

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 N&C 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.

4.7 **Currency risk in N&C Securities and Reference Items generally**

(a) ***There is generally foreign exchange currency exposure in respect of N&C 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 N&C Securities provide that payment under such N&C Securities will be made in a currency which is different from the currency of the Reference Item, and such N&C Securities do not have a "quanto" feature (i.e. the N&C Securities themselves take no account of currency rate movements or otherwise hedge the currency risk), there are additional risks. Holders of such N&C 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 N&C Securityholder's home currency and the relevant currency in which the repayment amount of the N&C Securities is denominated may affect investors who intend to convert gains or losses from the sale of N&C Securities into their home currency.

(b) ***There are risks relating to currency-protected or "quanto" N&C 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 N&C 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 N&C Securities, such N&C Securities are referred to as currency-protected N&C Securities or N&C Securities with a "quanto" feature. Under such feature, the investment return of the N&C 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 N&C Securities is disregarded. Accordingly, the application of a "quanto" feature means that N&C Securityholders will not have the benefit of any change in the rate of exchange between the currency of the Reference Item(s) and the N&C 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 N&C Securities.

4.8 Risks relating to Inflation Index Linked N&C Securities

The Issuer may issue Inflation Index Linked N&C 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 N&C Securities should be aware that depending on the terms of the Inflation Index Linked N&C 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 N&C 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 Index Linked N&C 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 N&C Securities and consequently adversely affect the value of and return on the N&C Securities. In addition certain extraordinary or disruption events may lead to early termination of the N&C Securities which may have an adverse effect on the value of the N&C Securities. Whether and how such provisions apply to the relevant N&C Securities can be ascertained by reading the Inflation Index Linked Conditions in conjunction with the applicable Pricing Supplement.

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 N&C 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 N&C 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 N&C 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 Index Linked N&C 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 N&C Securityholders in such jurisdiction.

The market price of Inflation Index Linked N&C 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 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.

4.9 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 has 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 control.

4.10 Benchmark reforms and licensing

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates, indices and figures which are deemed to be "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any N&C Securities linked to such a "benchmark".

Key international regulatory initiatives relating to the reform of benchmarks include IOSCO's Principles for Financial Benchmarks (the "**IOSCO Principles**") and the Benchmarks Regulation. The IOSCO Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering (among other things) governance and accountability as well as the quality, integrity and transparency of benchmark design, determination and methodologies. A review published by IOSCO in February 2015 of the status of the voluntary market adoption of the IOSCO Principles noted that there has been significant but mixed progress on implementation of IOSCO Principles but that as the benchmarks industry is in a state of change, further steps may need to be taken by IOSCO in the future. In February 2016, IOSCO published a second review of the implementation of the IOSCO Principles by administrators of EURIBOR, LIBOR and the Tokyo Interbank Offered Rate, which noted that the relevant administrators had been proactively engaged in addressing the issues raised by the first review and which sets out further recommendations for each administrator to strengthen the implementation of the IOSCO Principles.

The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and entered into force on 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. Among other things: (i) it requires benchmark administrators to be authorised or registered (or, if non-

EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed); and (ii) it prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any N&C Securities linked to a interest rate, index or other figure deemed to be a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the international, national or other proposals for reform, such as the European Money Markets Institute ("**EMMI**")'s current intention to develop a hybrid methodology for EURIBOR, or those to LIBOR (see "*Uncertainty about the future of LIBOR may adversely affect the return on the relevant N&C Securities and the price at which the N&C Securities can be sold*") or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements.

Such factors may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to such "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmarks" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any N&C Securities linked to a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms, investigations and licensing issues in making any investment decision with respect to the N&C Securities linked to a "benchmark".

Based on the foregoing, prospective investors should in particular be aware that:

- (a) any of these reforms or pressures described above or any other changes to a relevant interest rate benchmark (including LIBOR and EURIBOR) could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be;
- (b) if a benchmark is discontinued or is otherwise unavailable, then:
 - (i) the rate of interest on the N&C Securities may be determined for a period by any applicable fall-back provisions under the relevant N&C Securities documentation, although such provisions may not operate as intended (depending on market circumstances and the availability of rates information at the time); and
 - (ii) in circumstances where an amendment as described in paragraph (c) below has not been made at the relevant time, the rate of interest on the N&C Securities will be determined for a period by the fall-back provisions provided for under the Terms and Conditions of the N&C Securities; and
- (c) the occurrence of an Administrator/Benchmark Event may cause early redemption or adjustment of the N&C Securities which may include selecting one or more successor benchmarks and making related adjustments to the N&C Securities, including if applicable to reflect increased costs. An Administrator/Benchmark Event may arise if any of the following circumstances occurs or may occur: (1) a benchmark is materially changed or cancelled, (2)(i) the relevant authorisation, registration, recognition, endorsement, equivalence decision or approval in respect of the benchmark or the administrator or sponsor of the benchmark is not obtained, (ii) an application for authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register is rejected or (iii) any authorisation, registration, recognition, endorsement, equivalence decision or approval is suspended or inclusion in any official register is withdrawn, or (3) it is not commercially reasonable to continue the use of the benchmark due to licensing restrictions or increased licence costs.

Moreover, any of the above matters (including an amendment to change the base rate as described in paragraph (c) above) or any other significant change to the setting or existing of LIBOR, EURIBOR or any other relevant interest rate benchmark could affect the ability of the Issuer to meet its obligations under the N&C Securities and/or could have a material adverse effect on the value or liquidity of, and the amount payable under, the N&C Securities. Changes in the manner of administration of LIBOR, EURIBOR or any other relevant interest rate benchmark could result in adjustment to the Conditions, early redemption, discretionary valuation by the Calculation Agent, delisting or other consequences in relation to the N&C Securities. No assurance may be provided that relevant changes will not occur with respect to LIBOR, EURIBOR or any other relevant interest rate benchmark and/or that such benchmarks will continue to exist.

4.11 Uncertainty about the future of LIBOR may adversely affect the return on the relevant N&C Securities and the price at which the N&C Securities can be sold

On 12 July 2018, the Chief Executive of the United Kingdom Financial Conduct Authority (the "FCA"), which regulates LIBOR, discussed in a speech the transition away from LIBOR to alternative interest rate benchmarks based on overnight rates. As previously announced on 27 July 2017, he confirmed that the FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021 and so the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The Chief Executive noted that it is possible at that point that LIBOR may cease to be a regulated benchmark under the Benchmarks Regulation on the basis LIBOR might then no longer be sufficiently representative of the economic reality it intends to measure.

At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR and it is impossible to predict the effect of any such alternatives on the value of N&C Securities that are linked to existing benchmarks. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR, or changes in the manner of administration of any benchmark, could result in the applicable interest rate for any N&C Securities that are linked to LIBOR or another benchmark becoming fixed or other adverse consequences in respect of such N&C Securities, which could adversely affect the return on such N&C Securities, the value of such N&C Securities and the trading market for such N&C Securities. In addition, if an amendment is made to the N&C Securities to change the base rate on the Floating Rate N&C Securities from LIBOR or EURIBOR to an alternative base rate, such amendment could have adverse tax consequence to U.S. holders.

5. Risk factors relating to the Issuer and the Group

5.1 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 the Group's management team. The ability to continue to attract, train, motivate and retain highly qualified and talented professionals is a key element of the Group's strategy. The successful implementation of the Group's growth strategy depends on the availability of skilled management, both at the Group's head office and in each of the Group's business units. If the Group or one of the Group's 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, the Group's business, financial condition and results of operations, including control and operational risks, may be adversely affected.

In addition, the financial services 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, the Group's business may also be adversely affected.

5.2 The Group is vulnerable to disruptions and volatility in the global financial markets

Over the past 10 years, financial systems worldwide have experienced difficult credit and liquidity conditions and disruptions leading to reduced liquidity, greater volatility (such as volatility in spreads) and, in some cases, a lack of price transparency on interbank lending rates. Uncertainties remain concerning the outlook and the future economic environment despite recent improvements in certain segments of the global economy, including in the United Kingdom (the "UK"). Investors remain

cautious and a slowing or failing of the global economic recovery would likely aggravate the adverse effects of difficult economic and market conditions on the Group and on others in the financial services industry.

Whilst evidence of recovery has emerged in relation to the UK economy, the possibility of a renewed economic downturn remains a real risk. 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.

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

- Increased regulation of the Group's industry. Compliance with such regulation may increase the Group's costs, may affect the pricing of the Group's products and services, and limit the Group's 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 the Group's credit exposure requires complex judgements, including forecasts of economic conditions and how such economic conditions may 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 the Group's 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 the Group's retail customers, which may adversely affect the recoverability of the Group's retail loans, and result in increased loan losses.

Financial markets in the past two years have been affected by a series of political events, including the UK's vote in June 2016 to leave the EU and the general election in the UK in June 2017, which caused significant volatility in the global stock and foreign exchange markets (for more information, see the risk factor entitled "*Exposure to UK political developments, including the ongoing negotiations between the UK and EU, could have a material adverse effect on the Group*") and there has been an increase in anti-EU sentiment in other EU member states ("**EU Member States**"). Further, there continues to be significant uncertainty as to the respective legal and regulatory environments in which the Group will operate going forward as a result of the UK's vote to leave the EU. Such uncertainties have had, and may continue to have, a negative impact on macroeconomic conditions and the Group's business, financial condition and results of operations, and there can be no assurance that the European and global economic environments will not continue to be affected by political developments (for more information, see the risk factor entitled "*The Group may suffer adverse effects as a result of the political, economic and sovereign debt tensions in the eurozone*").

Continued or worsening disruption and volatility in the global financial markets could have a material adverse effect on the Group, including the Group's ability to access capital and liquidity on financial terms acceptable to the Group, 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 particularly if interest rates continue to rise in 2018 following the Bank of England's decision to increase the base rate from 25 basis points to 50 basis points in November 2017. Any such increase in capital markets funding costs or deposit rates could have a material adverse effect on the Group's interest margins, liquidity and

profitability, particularly given the sustained low interest rate environment expected in the medium term.

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

5.3 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 the Group offers a range of banking and financial products and services to UK retail and corporate customers. As a consequence, the Group's operating results, financial condition and prospects are significantly affected by the general economic conditions in the UK.

The Group's financial performance is intrinsically linked to the UK economy and the economic confidence of consumers and businesses. The sustainability of the UK economic recovery, along with its concomitant impacts on the Group's profitability, remains a risk. Conversely, a strengthened UK economic performance may increase the possibility of a higher interest rate environment and the Group notes that the Bank of England has commented that it expects to continue to raise interest rates in 2018. In such a scenario, other market participants might offer more competitive product pricing resulting in increased customer attrition.

Adverse changes in EU and global growth may pose the risk of a further slowdown in the UK's principal export markets which would have an adverse effect on the broader UK economy.

In addition, adverse changes in the credit quality of the Group's borrowers and counterparties or a general deterioration in EU, UK or global economic conditions could reduce the recoverability and value of the Group's assets and require an increase in the 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 the Group's 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 the Group's provisions for loan losses in the future as a result of increases in non-performing loans and/or for other reasons beyond the Group's control. Material increases in the Group's provisions for loan losses and write-offs or charge-offs could have an adverse effect on the Group's operating results, financial condition and prospects.

Any related significant reduction in the demand for the Group's products and services could have a material adverse effect on the Group's operating results, financial condition and prospects.

5.4 Exposure to UK political developments, including the ongoing negotiations between the UK and EU, could have a material adverse effect on the Group

On 23 June 2016, the UK held a referendum (the "**UK EU Referendum**") on its membership of the EU, in which a majority voted for the UK to leave the EU. Immediately following the result, the UK and global stock and foreign exchange markets commenced a period of significant volatility, including a steep devaluation of the pound sterling. There remains significant uncertainty relating to the process, timing and negotiation of the UK's exit from, and future relationship with, the EU and the basis of the UK's future trading relationship with the rest of the world.

On 29 March 2017, the UK Prime Minister gave notice under Article 50(2) of the Treaty on European Union of the UK's intention to withdraw from the EU. The delivery of the Article 50(2) notice has triggered a two year period of negotiation which will determine the terms on which the UK will exit the EU, taking account of the framework for the UK's future relationship with the EU. On 19 March 2018, a revised draft withdrawal agreement between the UK and the EU was published to govern the transition period prior to withdrawal, which contains a significant number of outstanding issues. Unless extended, the UK's EU membership will cease after this two year period. The timing of, and process for, such negotiations and the resulting terms of the UK's future economic, trading and legal relationships are uncertain, as is the basis of the UK's future trading relationship with the rest of the world. There is a possibility that the UK's membership ends at such time without reaching any agreement on the terms of its relationship with the EU going forward, although the Group notes that

movement to phase two of the negotiations - with a focus on finalising withdrawal issues, transition arrangements and a framework for the UK's future relationship with the EU - was agreed on 15 December 2017.

A general election in the UK was held on 8 June 2017 (the "**General Election**"). The General Election resulted in a hung parliament with no political party obtaining the majority required to form an outright government. On 26 June 2017 it was announced that the Conservative party had reached an agreement with the Democratic Unionist Party (the "**DUP**") in order for the Conservative party to form a minority government with legislative support ('confidence and supply') from the DUP. The long term effects of the General Election, which resulted in a minority government, are difficult to predict due to significant uncertainty and the impact on the negotiation of the UK's exit from the EU. The outcome of the General Election could have a significant impact on the future international and domestic political agendas of the government (including the UK's exit from the EU), and on the ability of the government to pass legislation in the House of Commons, as well as increasing the risk of further early general elections and a period of political instability and/or a change of government.

While the longer term effects of the UK EU Referendum are difficult to predict, its effects, in addition to the uncertainty created as a result of the outcome of the General Election, could include further financial instability and slower economic growth as well as higher unemployment and inflation in the UK. For instance, the UK government has stated its intention for the UK to leave both the single market and the customs union (thereby ceasing to be party to the global trade deals negotiated by the EU on behalf of its members) and this could affect the attractiveness of the UK as a global investment centre and increase tariff and non-tariff barriers for the UK's trading relationships and, as a result, could have a detrimental impact on UK economic growth. Potential further decreases in interest rates by the Bank of England or sustained low or negative interest rates would put further pressure on interest margins and adversely affect the Group's operating results, financial condition and prospects. Equally, further rises in interest rates (in addition to the rate rise in November 2017) could result in larger default losses which would also impact the Group's operating results, financial condition and prospects.

Asset valuations, currency exchange rates and credit ratings may be particularly subject to increased market volatility during the period of the negotiation of the UK's exit from the EU. The major credit rating agencies downgraded and changed their outlook to negative on the UK's sovereign credit rating following the UK EU Referendum and there is a risk that this may recur during the negotiation of the UK's exit from the EU as the potential terms of the exit (and any transitional period) become public.

The Group is subject to substantial EU-derived regulation and oversight. There remains significant uncertainty as to the respective legal and regulatory environments in which the Group will operate when the UK is no longer a member of the EU. For example, the UK's withdrawal from the EU may result in the adoption of divergent national laws and regulations in the UK, should EU laws and regulations be replaced, in whole or in part, by UK laws which differ from those applicable in the EU. For example, the Group is in the process of implementing a number of key restructuring and strategic initiatives, such as the ring-fencing of its retail banking activities, all of which will be carried out throughout this period of significant uncertainty. This may impact the prospects for successful execution and impose additional pressure on management.

Operationally, there is a significant risk that the Group and other financial institutions may no longer be able to rely on the European passporting framework for financial services (or an equivalent regime) and may be required to apply for authorisation in multiple EU jurisdictions, the costs, timing and viability of which is uncertain. This uncertainty, and any actions taken as a result of this uncertainty, as well as new or amended rules, may have a significant impact on the Group's operating results, financial condition and prospects. In addition, the lack of clarity of the impact of the UK EU Referendum on foreign nationals' long-term residency permissions in the UK may make it challenging for the Group to retain and recruit adequate staff, which may adversely impact the Group's business.

The UK political developments described above, along with any further changes in government structure and policies, may lead to further market volatility and changes to the fiscal, monetary and regulatory landscape in which the Group operates and could have a material adverse effect on the Group, including its ability to access capital and liquidity on financial terms acceptable to it and, more generally, on the Group's operating results, financial condition and prospects.

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

The Group is subject to capital adequacy requirements applicable to banks and banking groups under directly applicable EU legislation and as adopted by the Prudential Regulation Authority (the "**PRA**") of the Bank of England ("**BoE**"). The Group is required to maintain a minimum ratio of Common Equity Tier 1 ("**CET1**") capital to risk-weighted assets, Tier 1 capital to risk-weighted assets, total capital to risk-weighted assets and Tier 1 capital to total adjusted assets for leverage monitoring purposes. Any failure by the Group to maintain the Group's ratios above prescribed regulatory minimum levels may result in administrative actions or sanctions. These could potentially include requirements on the Group to cease all or certain lines of new business, to raise new capital resources or, in certain circumstances, a requirement for the Group's existing capital instruments (potentially including the Group's debt securities) to be subjected to bail-in or write down (for more information see the risk factor entitled "*Bail-in and write down powers under the Banking Act and the BRRD may adversely affect the Group's business and the value of securities it may issue, including the N&C Securities*").

The Capital Requirements Directive IV (the "**CRD IV Directive**") and the Capital Requirements Regulation (the "**CRD IV Regulation**" and together with the CRD IV Directive, "**CRD IV**") implemented changes proposed by the Basel Committee on Banking Supervision (the "**Basel Committee**") to the capital adequacy framework, known as "Basel III" in the EU. The CRD IV Regulation is directly applicable in each EU Member State and does not therefore require national implementing measures, whilst the CRD IV Directive has been implemented by EU Member States through national legislative processes. CRD IV was published in the Official Journal on 27 June 2013 and came into effect on 1 January 2014, with particular requirements expected to be fully effective by 2019. CRD IV substantially reflects the Basel III capital and liquidity standards and facilitates the applicable implementation timeframes. On 19 December 2013, the PRA published the initial version of its rules and supervisory statements associated with the implementation of CRD IV, which cover prudential rules for banks, building societies and investment firms. Binding technical standards adopted by the European Commission (the "**Commission**") have also impacted, or may further impact, the capital requirements which apply under CRD IV. The CRD IV regime is expected to continue to evolve. On 23 November 2016, the European Commission first put forward significant draft proposals to amend, among other things, both the CRD IV Regulation and the Capital Requirements Directive (such amended Capital Requirements Regulation to be known as "**CRR 2**" and the Capital Requirements Directive as "**CRD V**"), including to propose a binding leverage ratio, a binding net stable funding ratio and more risk sensitive capital requirements. These reforms remain under discussion and are not expected to enter into force until 2019 at the earliest.

Under the "Pillar 2" framework, the PRA requires the capital resources of UK banks to be maintained at levels which exceed the base capital requirements prescribed by CRD IV and to cover relevant risks in their business (informed by the Group's Internal Capital Adequacy Assessment Process ("**ICAAP**") and with effect from 1 January 2018 set through the PRA's Total Capital Requirement (formerly the Individual Capital Guidance)). In addition, a series of capital buffers has been established under CRD IV and PRA rules to ensure a bank can withstand a period of stress. These buffers, which must be met by CET1 capital, include the counter-cyclical capital buffer, sectoral capital requirements, a PRA buffer and the capital conservation buffer. The total size of the capital buffers will be informed by the results of the annual concurrent UK stress testing exercises undertaken by the PRA. The BoE's approach to stress testing the UK banking system was outlined in October 2015. The BoE is aiming to develop an approach that is explicitly counter-cyclical, with the severity of the stress test and the associated regulatory capital buffers varying systematically with the state of the financial cycle. Furthermore, the framework is aiming to support a continued improvement in UK banks' risk management and capital planning capabilities, and the BoE expects participating UK banks to demonstrate sustained improvements in their capabilities over time.

The PRA can take action if a bank fails to meet the required capital ratio hurdle rates in the stress testing exercise, and the banks which fail to do so will be required to take action to strengthen their capital position over an appropriate timeframe. If a bank does not meet expectations in its risk management and capital planning capabilities in the stress testing exercise, this may inform the setting of its capital buffers. In March 2018, the BoE published its guidance on its 2018 stress tests, which will contain the same annual cyclical scenario as in 2017, but will not include the biennial exploratory

scenario. However, the guidance does state that the hurdle rates for the 2018 test will evolve from previous years, namely by (i) the BoE holding banks of greater systemic importance to higher standards; (ii) hurdle rates incorporating buffers to capture domestic systemic importance as well as global systemic importance; (iii) the calculation of minimum capital requirements incorporated in the hurdle rates more accurately reflecting how they would evolve in a real stress scenario; and (iv) adjustments being made to reflect increased loss absorbency that will result from higher provisions in stress under the new international financial reporting standards accounting standard 9 (also known as "**IFRS 9**").

The BoE published results of the stress test in November 2017. Though the results of the PRA's 2017 stress test did not impact on the level of capital that the Group is required to hold, the PRA could, in the future, as a result of stress testing exercises (both in the UK and EU wide) and as part of the exercise of UK macro-prudential capital regulation tools, or through supervisory actions (beyond the changes described below), require UK banks, including the Group, to increase their capital resources further.

The Financial Services Act 2012 empowers the Financial Policy Committee of the BoE (the "**FPC**"), which is a sub-committee of the Court of Directors of the BoE, to give directions to the PRA and the FCA so as to ensure implementation of macro-prudential measures intended to manage systemic risk. For the UK, the FPC sets the countercyclical capital buffer rate on a quarterly basis.

Following its meeting in June 2017, the FPC announced that the countercyclical capital buffer rate would be increased from 0 per cent. to 0.5 per cent., with binding effect from June 2018. On 28 November 2017, it further increased the level to 1 per cent. with binding effect from November 2018. As a consequence of the Group's UK-focused business, its countercyclical capital buffer rate will reflect substantially all of this increase.

The Financial Services Act 2012 provides the FPC with certain other macro-prudential tools for the management of systemic risk. Since 6 April 2015, these tools have included powers of direction relating to leverage ratios. In September 2017, the FPC made certain recommendations to the PRA in relation to the leverage ratio. In December 2015, the PRA issued a policy statement setting out how it would implement the FPC's direction and recommendations on the leverage ratio. Following a PRA policy statement in October 2017, all major UK banks (including the Group) have been required to hold enough Tier 1 capital (75 per cent. of which must be CET1 capital) to satisfy a minimum leverage requirement of 3.25 per cent. and enough CET1 capital to satisfy a counter-cyclical leverage ratio buffer of 35 per cent. of each bank's institution-specific counter-cyclical capital buffer rate. The FPC also directed the PRA to require UK globally systemically important banks ("**G-SIBs**") and domestically systemically important banks, building societies and PRA-regulated investment firms (including the Group) to hold enough CET1 capital to meet a supplementary leverage ratio buffer of 35 per cent. of the institution-specific G-SIB buffer rate or Systemic Risk Buffer ("**SRB**") for domestically systemically important banks. The supplementary leverage ratio buffer was implemented on 1 January 2016, in line with the G-SIB buffer rate imposed by the Financial Stability Board ("**FSB**"), with the SRB to be applicable from 1 January 2019. The FPC finalised and published its SRB framework on 25 May 2016. Systemic importance is measured using the total assets of ring-fenced bank sub-groups in scope of the SRB, with higher SRB rates applicable as total assets increase. In December 2016, the PRA published its statement of policy on the SRB relevant to ring-fenced bodies. The PRA will review its statement of policy in 2018, following the review of the FPC's SRB framework. The FPC can also direct the PRA to adjust capital requirements in relation to particular sectors through the imposition of sectoral capital requirements. Action taken in the future by the FPC in exercise of any of its powers could result in the regulatory capital requirements applied to the Group being further increased.

In June 2017, the PRA issued a consultation (CP11/17) proposing to implement recommendations made by the FPC in the same document, that the PRA increase the minimum leverage ratio to 3.25 per cent. In that consultation document, the PRA confirmed that, as currently, firms will need to meet the increased requirement with Tier 1 capital, at least 75 per cent. of which must be in the form of CET1.

Regulators in the UK and worldwide have also proposed that additional loss absorbency requirements should be applied to systemically important institutions to ensure that there is sufficient loss absorbing and recapitalisation capacity available in resolution. The EU Bank Recovery and Resolution Directive (the "**BRRD**") requires that EU Member States ensure that EU banks meet a Minimum Requirement for Eligible Liabilities ("**MREL**"). The BRRD was transposed into UK law in January 2015, with the provisions on MREL taking effect from 1 January 2016. On 9 November 2015, the FSB also published

its final Total Loss-Absorbing Capital ("**TLAC**") standards for G-SIBs. On 11 December 2015, the BoE published a consultation paper on its proposed statement of policy on its approach to setting MREL and the PRA published a consultation paper and a draft supervisory statement on the relationship between MREL and capital and leverage buffers. The BoE has indicated that it will set MREL on a case- by-case basis, and that it intends to set MREL for G-SIBs as necessary to implement the TLAC standard. The BoE has also indicated that it intends to set consolidated MREL generally no higher than institutions' current regulatory minimum capital requirements in the period prior to the interim requirement coming into force and consequently there should be no immediate change in regulatory requirements for loss absorbency capacity. For most institutions, the BoE proposes to set a final MREL conformance date of 1 January 2020, although it expects UK G-SIBs to meet the interim TLAC minimum requirement by 1 January 2019. In November 2016, the BoE published its responses to the consultation (the "**Policy Statement**"). A key change to the BoE's policy on MREL is that firms will now be required to meet the interim MREL requirements by 1 January 2020 and to meet full MREL requirements by 1 January 2022. The BoE expects to conduct a review of its general approach to calibrating MREL and to set the final transition date by the end of 2020.

Also in November 2016, the PRA published a supervisory statement (SS16/16) on the relationship between MREL and regulatory buffers, in which the PRA set out its policy, based on key aspects of the FSB standards, that CET1 used to meet the MREL requirement cannot also be used to meet the CRD IV combined buffer, the PRA buffer or the leverage ratio buffers. However, a firm which does not have or expects that it will not have sufficient CET1, in addition to the CET1 counted towards its MREL, to meet its CRD IV combined buffer or the PRA buffer can expect enhanced supervisory action and to be required to prepare a capital restoration plan. On 27 July 2017, the PRA published a consultation paper (CP15/17) on its proposals with regard to, amongst other things, the relationship between the MREL and CRD IV combined buffer, the PRA buffer and the leverage ratio buffers. In particular, the PRA proposes to update its previously expressed policies to clarify its expectations regarding the amount of CET1 that firms should not count simultaneously towards those buffer requirements and MREL (i.e. an amount equal to the size of the usable buffer derived from the two going-concern regimes).

On 6 July 2017, the FSB published its Guiding Principles on the Internal Total Loss-Absorbing Capacity of G-SIBs, suggesting that material subsidiaries of G-SIB groups issue internal TLAC (i.e. equity and TLAC compliant debt instruments to the resolution entities in the group) so that losses and recapitalisation needs of material entities or sub-groups may be passed with legal certainty to the resolution entity of a G-SIB resolution group, without entry into resolution of the subsidiaries within the material sub-group. The BoE noted in its Policy Statement that it was not comprehensive with regard to the requirements relating to MREL. These issues included reporting, disclosure and the treatment of institutions' holdings of MREL liabilities. The BoE noted that its work would continue develop in this regard — as well as its approach to the calibration of MREL within groups (internal MREL) — taking into account international standards including, the FSB's guidance on internal TLAC. The final impact of the TLAC and MREL requirements is not yet known and will depend on the way in which regulators of the Group choose to implement these requirements.

As indicated above, on 23 November 2016, the European Commission published legislative proposals for amendments to CRD IV, the Single Resolution Mechanism Regulation ("**SRMR**") and the BRRD, including a proposal to amend the BRRD by means of an amending directive to facilitate the creation of a new asset class of "non-preferred" senior debt. The package of reforms is aimed at further strengthening the resilience of EU credit institutions and is expected to enter into force (with certain exceptions) no earlier than 2019. The proposed reforms include measures to align the MREL requirements with the FSB TLAC standards. The proposed reforms are to be considered by the European Parliament and the Council of the EU and remain subject to change, although Directive 2017/2399 amending Directive 2014/59/EU, implementing the "non-preferred" senior debt class came into force in December 2017. The final package of reforms may not include all elements of the proposals and new or amended elements may be introduced. Until the proposals are in final form, it is uncertain how they will affect the Group or the holders of the N&C Securities.

In addition, since 31 December 2014, the PRA has had the power under the Financial Services and Markets Act 2000 ("**FSMA**") to make rules requiring a parent undertaking of a bank to make arrangements to facilitate the exercise of resolution powers, including a power to require a group to issue debt instruments. Such powers could have an impact on the liquidity of the Group's debt instruments and could materially increase the Group's cost of funding.

Since 1 January 2014, the Group has also been subject to certain recovery and resolution planning requirements (popularly known as "living wills") for banks and other financial institutions as set out in the PRA Rulebook. These requirements were updated in January 2015 to implement the recovery and resolution framework under the BRRD. The updated requirements impose more regular and detailed reporting obligations, including the requirement to submit recovery plans and resolution packs to the PRA and to keep them up to date.

In addition to the above, regulators in the UK and worldwide 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 changes, which could affect the Group as a whole, include the implementation of the Basel Committee on Banking Standards' ("BCBS") new market risk framework, which includes rules made as a result of the BCBS' fundamental review of the trading book. In addition, in December 2017 the Basel Committee published their finalisation of the Basel III framework, with proposed implementation from 1 January 2022. This includes the following elements:

- Revisions to the standardised approach for credit risk, credit valuation adjustment risk and operational risk to address certain weaknesses identified by the Basel Committee.
- Additional constraints on the use of internal model approaches for credit risk, and removing the use of internal model approaches for credit valuation adjustment risk and operational risk.
- The use of an output floor based on standardised approaches.
- The introduction of a leverage ratio buffer for global systemically important banks and refinements to the definition of the leverage ratio exposure measure.

The BCBS, in December 2017, published its final version of reforms relating to the standardised approach, internal approach for credit risk, minimum capital requirements for credit valuation adjustment risk, operational risk, output floor and leverage ratio. The Basel Committee expects these changes to be implemented from January 2022, with transitional arrangements up to January 2027 (although these timelines remain unclear until such rules are translated into draft European and UK legislation).

These measures could have a material adverse effect on the Group's operating results, and consequently, on the Group's business, financial condition and prospects. There is a risk that changes to the UK's capital adequacy regime (including any increase to minimum leverage ratios) may result in increased minimum capital requirements, which could reduce available capital for business purposes and thereby adversely affect the Group's cost of funding, profitability and 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. Furthermore increased capital requirements may negatively affect the Group's return on equity and other financial performance indicators.

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 the Group's ability to operate its business, to continue to grow organically and to pursue its business strategy.

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

As from 1 April 2013, the PRA took over the responsibility for micro-prudential regulation of banks and certain other financial institutions from the Financial Services Authority (the "FSA"). In June 2015,

the PRA issued its policy statement on the transfer of the liquidity regime to the CRD IV standard, confirming that the existing regime under BIPRU 12 would cease to apply with effect from 1 October 2015, although certain of the BIPRU requirements are reflected in the new regime.

Under CRD IV, banks are or will be under transitional measures required to meet two new liquidity standards, consisting of the Liquidity Coverage Ratio ("**LCR**") and the Net Stable Funding Ratio ("**NSFR**"), which are aimed to 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.

A longer-term resilience by creating incentives for banks to fund their activities with more stable sources of funding on an on-going basis.

LCR

The LCR is intended to ensure that a bank maintains an adequate level of unencumbered, high quality liquid assets which can be used to offset the net cash outflows the bank could encounter under a short-term significant liquidity stress scenario.

The LCR was introduced in the UK on 1 October 2015. As of 1 January 2018, following a phase-in period, the current minimum requirement for UK banks is set out at 100 per cent. The Group currently meets the minimum requirements set by the PRA, however there can be no assurance that future changes to the applicable liquidity requirements would not have an adverse effect on the financial condition of the Group, the results of its operations and its prospects.

NSFR

In October 2014, the Basel Committee published its NSFR standard. The NSFR has not yet been implemented within Europe (unlike the LCR). As such there is no formal NSFR requirement applicable to UK or other EU banks until such time as the European Commission adopts appropriate regulatory / technical standards. The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. Banks are expected to hold an NSFR of at least 100 per cent. on an on-going basis and report its NSFR at least quarterly. Ahead of its planned implementation, the NSFR will remain subject to an observation period. The Group monitors its NSFR on an ongoing basis and stands ready to comply with the standards once agreed.

There is a risk that implementing and maintaining existing and new liquidity requirements, such as through 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. This could in turn adversely impact the Group's operating results, financial condition and prospects.

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

Like many other UK banks, the Issuer, as the Group's principal banking entity, invests in debt securities of the UK Government largely for liquidity purposes. As of 31 December 2017, approximately 1 per cent. of the Group's total assets and 35 per cent. of its securities portfolio were comprised of debt securities issued by the UK Government. 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.

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

Conditions in the capital markets and the economy generally in the eurozone, which, although improving recently, continue to show signs of fragility and volatility. Interest rate differentials among eurozone countries are affecting government finance and borrowing rates in those economies. This could have a material adverse effect on the Group's operating results, financial condition and prospects.

The UK EU Referendum caused significant volatility in the global stock and foreign exchange markets (for more information, see the risk factors entitled "*The Group is vulnerable to disruptions and*

volatility in the global financial markets" and "Exposure to UK political developments, including the ongoing negotiations between the UK and EU, could have a material adverse effect on the Group"). It may have also encouraged anti-EU and populist parties in other EU Member States, raising the potential for other countries to seek to conduct referenda with respect to their continuing membership of the EU. Following the results of the UK EU Referendum the risk of further instability in the eurozone cannot be excluded.

In the past, the ECB and European Council have taken actions with the aim of reducing the risk of contagion in the eurozone and beyond and improving economic and financial stability. Notwithstanding these measures, a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by the eurozone (and other) nations which may be under 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 adversely affected with the wider possible adverse consequences for global financial market conditions.

The high cost of capital for some European governments impacted the wholesale markets in the UK, which resulted in an increase in the cost of retail funding and greater competition in the savings market. 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, the Group has direct and indirect exposure to financial and economic conditions throughout the eurozone economies, including as a result of Banco Santander and other affiliates being situated in the eurozone. 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.

5.9 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 over the last 10 years and could lead to losses or defaults by other institutions. Many of the routine transactions the Group enters into expose the Group to significant credit risk in the event of default by one of the Group's significant counterparties. 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.

5.10 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 does 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 as carried out by the Group 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 constraints in the supply of liquidity, including inter-bank lending, which arose between 2009 and 2013, materially and adversely affected the cost of funding the Group's business. There can be no assurance that such constraints will not reoccur. Extreme liquidity constraints may affect the Group's operations and limit the Group's ability to fulfil its regulatory liquidity requirements, as well as limiting growth possibilities.

Disruption and volatility in the global financial markets could have a material adverse effect on the ability of the Group to access capital and liquidity on financial terms acceptable to the Group.

The Group's cost of obtaining funding is directly related to prevailing market interest rates and to the Group's credit spreads. Increases in interest rates and the Group's credit spreads can significantly increase the cost of the Group's funding. Changes in the Group's credit spreads are market-driven, and may be influenced by market perceptions of the Group's 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 the Group 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 ability of the Group to access liquidity and on its cost of funding (whether directly or indirectly).

Central banks around the world, including the U.S. Federal Reserve Bank and the ECB, made coordinated efforts to increase liquidity in the financial markets in response to the financial crisis and put in place additional facilities, by taking measures such as increasing the amounts they lend directly to financial institutions, lowering interest rates and ensuring that currency swaps markets remain liquid. Over the course of 2017 central banks signalled the start, or in some cases (such as the U.S. Federal Reserve Bank) a continuation, of unwinding such stimulus. In addition to the BoE Base Rate rise on 2 November 2017, the BoE voted to maintain the stock of the quantitative easing programme of £445 billion of assets, comprising £10 billion of corporate bonds and £435 billion of gilts. In October 2017, the ECB announced that it would reduce its monthly volume of bond purchases from January 2018 to €30 billion (from €60 billion). If these current facilities were rapidly removed or significantly reduced, this could have an adverse effect on the Group's ability to access liquidity and on the Group's funding costs. In the U.S., the Federal Reserve increased its policy interest rate by 25 basis points in March 2017, June 2017 and December 2017, and has forecast additional interest rate increases in 2018.

In October 2013, the BoE updated its Sterling Monetary Framework to provide more transparent liquidity insurance support in exceptional circumstances. The Indexed Long-Term Repo Facility will now be available to support regular bank requirements for liquidity while the Discount Window Facility has been reinforced as support for banks experiencing idiosyncratic stress. The Collateralised Term Repo Facility will be made available to support markets in the event of market wide liquidity stress. The Collateralised Term Repo Facility will be made available to support markets in the event of market wide liquidity stress. Further, on 4 August 2016, the BoE announced its Term Funding Scheme ("TFS"), which allows participants to borrow central bank reserves in exchange for eligible collateral. As at 31 December 2017, the Group had drawn £8.5 billion under the TFS. In addition to the TFS, the Group participated in the Funding for Lending Scheme ("FLS"). As at 31 December 2017, the Group had drawn down £3.2 billion of UK treasury bills under the FLS.

The availability of BoE facilities for UK financial institutions reduces the Group's funding costs and reliance on retail and/or wholesale markets by providing the Group with access to cheaper and more attractive funding than other sources. The TFS closed for drawdowns on 28 February 2018, as scheduled. However, the Group remains a borrower under the TFS and has a four year window from the date of each drawdown in which to meet its repayment obligations.

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 liquidity and the cost of funding (whether directly or indirectly). In the event that the Issuer experiences financial distress as a result of the failure of the Group's liquidity management processes, investors may only be able to sell their N&C Securities in the secondary market at a substantial discount or may not be able to sell their N&C Securities at all.

The Group aims for a funding structure that is consistent with the Group's 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 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 in the financial services industry, and the availability and extent of deposit guarantees, as well as competition between banks for deposits or competition with other products, such as mutual funds. A change in 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 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 some deposits 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.

5.11 An adverse movement in the Group's external credit rating would likely increase the Group's 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 the Group's debt in issue are based on a number of factors, including the Group's financial strength and that of the UK economy and conditions affecting the financial services industry generally.

Any downgrade in the external credit ratings assigned to the Group or any of the Group's debt securities could have an adverse impact on the Group. In particular, such downgrade in the Group's credit ratings could increase the Group's borrowing costs and could require the Group to post additional collateral or take other actions under some of the Group's derivative contracts, and could limit the Group's 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 transactions 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, the Group 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 the Group's operating results, financial condition and prospects. For example, the Group estimates that as at 31 December 2017, if Fitch, Moody's and S&P were concurrently to downgrade the long-term credit ratings of Santander UK Group Holdings plc ("**Santander UK Group Holdings**") and the Issuer by one notch, and thereby trigger a short-term credit rating downgrade, this could result in an outflow of £3.9 billion of cash and collateral. A hypothetical two notch downgrade would result in a further outflow of £0.2 billion of cash and collateral as at 31 December 2017. These outflow requirements are however captured under the LCR regime.

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. Actual outflows could be higher or lower than this hypothetical example, depending upon certain factors including any management or restructuring actions that could be taken to reduce cash outflows and the potential liquidity impact from a loss of unsecured funding (such as from money market funds) or loss of secured funding capacity.

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 rating downgrade could have a material adverse effect on the Group. In addition, if certain counterparties terminated derivative contracts with the Group, and the Group was unable to replace such contracts, the Group's market risk profile could be altered.

Following the results of the UK EU Referendum, S&P Global Ratings and Moody's Investors Service affirmed the long-term credit ratings and changed the ratings outlooks of most major UK banks because of the medium term impact of political and market uncertainty. The Issuer's long-term debt is currently rated investment grade by the major rating agencies: Aa3 with a negative outlook by Moody's, A with a negative outlook by S&P and A with a stable outlook by Fitch.

If a downgrade of any Group member's long-term credit ratings were to occur, it could also impact the short-term credit ratings of other members of the Group. Should there be any removal of systemic support by the UK Government, all things being equal, the impact on the Group's long-term credit-rating could potentially increase the cost of some of its wholesale borrowing and its ability to secure both long-term and short-term funding may be reduced.

In September 2017, Moody's Investors Service downgraded the UK's sovereign credit rating due to their concerns around the government's fiscal consolidation plans and challenges to policy-making from the UK's exit from the EU. Changes to the UK sovereign credit rating, or the perception that further changes may occur, could 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 the Group's ability to secure funding. Changes to the UK sovereign credit rating, or the perception that further changes 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.

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 adverse effect on the Group.

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

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 rates, exchange rates or equity prices. Changes in interest rates would 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;
- the worsening pensions deficit; and
- gains and losses from derivatives.

Interest rates are highly sensitive to many factors beyond the control of the Group, including increased regulation of the financial sector, monetary policies, domestic and international economic and political conditions and other factors. Variations in interest rates could affect the Group's net interest income, which comprises the majority of its revenue, reducing its growth rate and potentially resulting in losses. This results from the different effect that a change in interest rates may have on the interest earned on the Group's assets and the interest paid on its borrowings. In addition, the Group may incur costs (which, in turn, will impact its results) as it implements strategies to reduce future interest rate exposures.

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.

Due to the historically low interest rate environment in the UK in recent years, the rates of the Group's interest-bearing deposit products have been priced at or near zero, which may limit the Group's ability to further reduce customer rates in the event of further cuts to the BoE Base Rate and thus, negatively

impact the Group's margins. Notwithstanding the November 2017 increase in the BoE Base Rate to 0.5 per cent., if a generally low interest rate environment in the UK persists in the long term, it may be difficult for the Group to increase net interest income, which will impact the results of the Group.

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 the Group's assets and securities. The Group's capital is stated in pound sterling and the Group does not fully hedge the Group's capital position against changes in currency exchange rates. Although the Group seeks to hedge most of the Group's currency risk, through hedging and purchase of cross-currency swaps, these hedges do not eliminate currency risk and the Group can make no assurance that it will not suffer adverse financial consequences as a result of currency fluctuations. The volatility in the value of the pound sterling in the wake of the result of the UK EU Referendum may persist as negotiations for exit continue and continued 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 U.S. dollar and euro-denominated obligations, and which 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 its investments in equity securities in the banking book and in the trading portfolio. 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 equity securities 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.

5.13 Market conditions have resulted in, and could continue to 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 10 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, derivatives 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. 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 and 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 in times of economic instability. In such circumstances, the Group's valuation methodologies require the Group to make assumptions, judgements 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.

5.14 Failure to successfully implement and continue to improve the Group's credit risk management systems could materially and adversely affect the Group's business

As a commercial banking group, 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 Banco Santander 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 or IT systems errors. In exercising their judgement on current or future credit risk behaviour of the Group's customers, the Group's employees may not always be able to assign a correct credit rating, which may result in the Group being exposed to higher credit risks than indicated by the Group's risk rating system.

In addition, the Group has refined its credit policies and guidelines to address potential risks associated with particular industries or types of customers, such as affiliated entities and the Group's customers. However, the Group may not be able to detect all possible risks before they occur, or the Group's employees may not be able to effectively implement the Group's credit policies and guidelines due to limited tools available to the Group, which may increase the Group's credit risk. Failure to effectively implement, consistently monitor or 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 the Group.

5.15 The Group is subject to various risks associated with the Group's derivative transactions that could have a material adverse effect on the Group

Certain Group entities enter into derivative transactions for trading purposes as well as for hedging purposes. The Group is subject to various risks associated with these transactions, including market risk, operational risk, 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 counterparty risk (the risk of insolvency or other inability of the counterparty to a particular transaction to perform its obligations thereunder, including providing sufficient collateral).

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.

5.16 Operational risks, including risks relating to data and information collection, processing, storage and security are inherent in the Group's business

Like other financial institutions with a large customer base, the Group manages and holds confidential personal information of customers in the conduct of its banking operations, as well as a large number of assets. Accordingly, the business of the Group depends on the ability to process a large number of transactions efficiently and accurately and on the Group's ability to rely on the Group's people, digital technologies, computer and email services, software and networks, as well as the secure processing, storage and transmission of confidential and other information in the Group's computer systems and networks, and through the adoption of cloud computing services. The proper functioning of financial control, accounting or other data collection and processing systems is critical to the Group's business and to the Group's 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 also faces the risk that the design of the Group's 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 information security risk, the Group routinely exchanges personal, confidential and proprietary information by electronic means, and the Group may be the target of attempted hacking. Adoption of cloud based computing services in order to improve technological resilience and cost-effectiveness could bring with it risks to the information the Group processes if it does not take care to implement appropriate controls such as strong authentication and encryption. If the Group cannot maintain an effective data collection, management and processing system or the Group fails to maintain complete physical and electronic records, this could result in regulatory sanctions, including under the EU General Data Protection Regulation ("GDPR"), which came into force on 25 May 2018. Any such failures or sanctions could result in serious reputational or financial harm to the Group.

5.17 **Infrastructure and technology resilience**

The Group takes protective measures and continuously monitors and develops its systems to safeguard the Group's technology infrastructure and data from misappropriation or corruption, but the Group's 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, the Group may be required to expend significant additional resources to modify the Group's protective measures or to investigate and remediate vulnerabilities or other exposures. The Group expects its programmes of change to have an effect on its risk profile, both technological and regulatory. Whether it is the opportunities from adoption of cloud technology, systems to support important regulatory initiatives, or the desire to identify, prioritise and remove obsolete systems from operations, the operational risk associated with systems change is likely to increase and this will therefore remain an area of focus in the Group's risk management. There can be no assurance that the Group will not suffer material losses from operational risks in the future, including those relating to any security breaches.

5.18 **Cyber security**

In particular, the Group has in recent years seen computer systems of companies and organisations being targeted, not only by cyber criminals, but also by activists and rogue nation states. In common with other large UK financial institutions with a large customer base, the Group manages and holds confidential personal information of customers in the conduct of its banking operations, as well as a large number of assets. Accordingly the Group has been and continues to be subject to a range of cyber-attacks, such as denial of service, malware and phishing. Cyber-attacks could give rise to the loss of significant amounts of customer data and other sensitive information, as well as significant levels of liquid assets (including cash). In addition, cyber-attacks could give rise to the disablement of the Group's information technology systems used to service its customers. As attempted attacks continue to evolve in scope and sophistication, the Group may incur significant costs in the Group's attempt to modify or enhance its protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach, or in communicating cyber-attacks to the customers of the Group. If the Group fails to effectively manage the Group's cyber security risk, for example by failing to update the Group's systems and processes in response to new threats, this could harm the Group's reputation and adversely affect the Group's operating results, financial condition and prospects through the payment of customer compensation, regulatory penalties and fines and/or through the loss of assets. Factors such as failing to apply critical security patches from its technology providers, to manage out obsolete technology or to update its processes in response to new threats could give rise to these impacts.

In addition, the Group may also be impacted by cyber-attacks against national critical infrastructures in the UK, for example, the telecommunications network. In common with other financial institutions the Group is dependent on such networks and any cyber-attack against these networks could negatively affect its ability to service its customers. As the Group does not operate these networks, it has limited ability to protect its business from the adverse effects of cyber-attack against them.

Further, the domestic and global financial services industry, including key financial market infrastructure, may be the target of cyber disruption and attack by cyber criminals, activists and rogue states looking to cause economic instability. The Group has limited ability to protect its business from the adverse effects of cyber disruption or attack against its counterparties and key financial market infrastructure. If such a disruption or attack were to occur it could cause serious operational and financial harm to the Group.

5.19 **Procedure and policy compliance**

The Group also manages and holds confidential personal information of customers in the conduct of the Group's banking operations. Although the Group has procedures and controls to safeguard personal information in the Group's 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.

Further, the Group's business is 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 detect and prevent this activity may not always be effective.

The Group may be required to report events related to information security issues (including any cyber security issues), events where customer information may be compromised, unauthorised access and other security breaches, to the relevant regulatory authorities. 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 the Group's clients with delays or errors, which could reduce demand for the Group's services and products and could materially and adversely affect the Group.

5.20 **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 the Group**

The Group's business and its ability to remain competitive depends to a significant extent upon the functionality of the Group's information technology systems (including Partenon, the global banking information technology platform utilised by the Issuer and Banco Santander, S.A.), and on the Group's ability to upgrade and expand the capacity of the Group's 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 the Group branches and main data processing centres, are critical to the Group's business and the Group's ability to compete. The Group must continually make significant investments and improvements in the Group's information technology infrastructure in order to remain competitive. The Group cannot be certain that in the future it will be able to maintain the level of capital expenditure necessary to support the improvement, expansion or upgrading of its information technology infrastructure as effectively as the Group's competitors. This may result in a loss of the competitive advantages that the Group believes the Group's information technology systems provide. Any failure to effectively improve, expand or upgrade its information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Group.

5.21 **The Group may be exposed to unidentified or unanticipated risks despite the Group's risk management policies, procedures and methods**

The management of risk is an integral part of the Group's activities. The Group seeks to monitor and manage the Group's risk exposure through a variety of risk 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 its risk exposure in all economic market environments or against all types of risk, including risks that the Group fails to identify or anticipate.

Some of the Group's qualitative tools and metrics for managing risk are based upon the Group's use of observed historical market behaviour. The Group applies statistical and other tools to these observations to arrive at quantifications of the Group's 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 does not anticipate or correctly evaluate in the Group's statistical models. This would limit the Group's ability to manage the Group's 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 the Group to material, unanticipated losses. The Group could face adverse consequences as a result of decisions, which may lead to actions by management, based on models that are poorly developed, implemented or used, or as a result of the modelled outcome being misunderstood. If existing or potential customers or counterparties believe the Group's risk management is inadequate, they could take their business elsewhere or to seek to limit their transactions with the Group. This could have a material adverse effect on the Group's reputation, operating results, financial condition and prospects.

5.22 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, through its banking entities. 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 Group faces substantial competition in all parts of its business. As such, the Group constantly monitors competition, which arises from a number of financial institutions of different sizes and with a range of business models. Moreover, the recent financial crisis continues to reshape the banking landscape in the UK, particularly the financial services and mortgage markets, reinforcing the importance of a retail deposit funding base and being well capitalised. The Group's competitors have moved increasingly towards a policy of concentrating on the highest quality customers and there is strong competition for these customers.

Additionally, a large number of new entrants are increasingly entering the UK financial services market place. Again the Group identifies and closely monitors this set of new entrants and takes account of this in its management actions. Their arrival has further intensified competition as they seek to gain market share in a number of banking sector areas, including for example payments, investments, lending, foreign exchange and data aggregation. The Group also faces competition from non-bank competitors, such as supermarkets, department stores, electronic money institutions and technology firms, and generally from other loan or credit providers. The Group also competes with the UK Government owned National Savings & Investments for deposits.

Further, the rise in customer use of internet and mobile banking platforms in recent years could negatively impact the Group's investments in bank premises, equipment and personnel for its branch network. The persistence or acceleration of this shift in demand towards internet and mobile banking may necessitate changes to the Group's retail distribution strategy, which may include closing and/or selling certain branches and restructuring remaining branches and work force. These actions could lead to losses on these assets and may lead to increased expenditures to renovate, reconfigure or close a number of remaining branches or to otherwise reform the Group's retail distribution channel. Furthermore, the Group's failure to swiftly and effectively implement such changes to its distribution strategy could have an adverse effect on the Group's competitive position.

The Group expects competition to intensify in response to consumer demand, technological changes, the potential impact of consolidation, regulatory actions and other factors. For example, the Payment Services Directive II ("**PSD2**") will open up access to customers' online account and payments data to third party providers. This will accelerate the digital disruption that is reshaping the financial services industry and enable the provision of entirely new types of services. There will be structural reform of the UK banking sector as banks implement the Banking Reform Act, which may lead to increased competition in UK Retail or wholesale banking activities. A strong political and regulatory will to foster consumer choice in financial services could lead to even greater competition (for more information, see the risk factor entitled "*The Group is subject to substantial regulation and governmental oversight which could adversely affect the Group's business and operations*"). There can be no assurance that this increased competition will not adversely affect the Group's growth prospects, and therefore its operations.

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's recent disposals of stakes in financial institutions it previously controlled and any future disposals of retained stakes in other financial institutions. Such consolidation, by increasing the size and capabilities of the Group's competitors, could adversely affect the Group's operating results, financial condition and prospects. There can be no assurance that this will not adversely affect the Group's growth prospects, and therefore its operations.

The Group considers competition in its management actions, as appropriate, such as pricing and product decisions. Increasing competition could mean that the Group increases 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 the Group's ability to increase its customer base and expand its operations and increasing competition for investment opportunities.

5.23 **The Group's ability to maintain the Group's competitive position depends, in part, on the success of new products and services the Group 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 the Group**

The success of the Group's operations and the Group's profitability depends, in part, on the success of new products and services the Group offers its customers. However, the Group cannot guarantee that the Group's 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 the Group's 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 its customers, it may lose customers, which could in turn materially and adversely affect the Group. Its success is also dependent on its ability to anticipate and leverage new and existing technologies that may have an impact on products and services in the banking industry. Furthermore, the widespread adoption of new technologies, including cryptocurrencies and payment systems, could require substantial expenditures to modify or adapt existing products and services as the Group continues to grow its internet and mobile banking capabilities. Technological changes may further intensify and complicate the competitive landscape and influence customer choices.

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, including conduct risk and development expenses. The Group's employees and risk management systems, as well as its experience and that of the Group's partners, may not be sufficient or adequate to enable the Group to properly handle or manage such risks. In addition, the cost of developing products that are not launched is likely to affect the Group's operating results.

Further, the Group's customers may raise complaints and seek redress if they consider that they have suffered loss from the Group's products and services; for example, as a result of any alleged mis-selling or incorrect application of the terms and conditions of a particular product. This could in turn subject the Group to risks of potential legal action by the Group's customers and intervention by the Group's regulators. For further detail on the Group's legal and regulatory risk exposures, see the risk factors entitled "*The Group is exposed to risk of loss from legal and regulatory proceedings (civil and/or criminal)*" and "*Potential intervention by the FCA, the PRA, the CMA or an overseas regulator may occur, particularly in response to customer complaints*".

Any or all of the above factors, individually or collectively, could have a material adverse effect on the Group.

5.24 **If the level of non-performing loans increases or the credit quality of the Group's loans deteriorates in the future, or if the Group's loan loss reserves are insufficient to cover loan losses, this could have a material adverse effect on the Group**

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 business. Non-performing or low credit quality loans have in the past, and can continue to, negatively impact the Group's operating results, financial condition and prospects. 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, a general deterioration in the UK or global economic conditions, the impact of political events, events affecting certain industries or events affecting financial markets and global economies. The Group cannot be sure that it will be able to effectively control the level of impaired loans in, or the credit quality of, the Group's total loan portfolio.

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 any assurance that the Group's current or future 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 the Group. If the Group is unable to control or reduce the level of the Group's non-performing or poor credit quality loans, this could have a material adverse effect on the Group.

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. This risk may be slightly greater following the Bank of England Base Rate increase to 0.5 per cent. in November 2017. Over the last few years both variable and fixed interest rates have been at historically 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 for the Group.

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

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 low 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 the Group. 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 the Group.

5.26 The value of the collateral, including real estate, securing the Group's loans may not be sufficient, and the Group may be unable to realise the full value of the collateral securing its loan portfolio

The value of the collateral securing the Group's loan portfolio may significantly fluctuate or decline due to factors beyond its control, including macroeconomic factors affecting the UK's economy. The residential mortgage loan portfolio of the Group constitutes one of the Group's principal assets, comprising 77 per cent. of the Group's loan portfolio as of 31 December 2017. As a result, the Group is highly exposed to developments in the residential property market in the UK.

House price activity has slowed since the UK EU Referendum, most noticeably in central London, although house price activity generally continues to be supported by certain economic fundamentals including low mortgage rates (notwithstanding the recent Bank of England Base Rate increase to 0.5 per cent.), healthy consumer confidence levels, falling unemployment and positive real earnings growth. Nevertheless, any increase in house prices may be limited should real earnings growth weaken. 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 like floods or landslides. Any force majeure event may cause widespread damage and could have an adverse impact on the economy of the affected region and may therefore impair the asset quality of the Group's loan portfolio in that area.

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

5.27 If the Group is unable to manage the growth of its operations, this could have an adverse impact on the Group's 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 its businesses when necessary.

From time to time, the Group evaluates acquisition and partnership opportunities that the Group believes could offer additional value to its shareholders and are consistent with the Group's business strategy. However, the Group may not be able to identify suitable acquisition or partnership candidates, and it may not be able to acquire promising targets or form partnerships on favourable terms or at all. Furthermore preparations for acquisitions that the Group does 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 the Group's successful integration of those businesses. Such integration entails significant risks such as challenges in retaining the customers and employees of the acquired businesses, 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 assurances that its expectations with regards to integration and synergies will materialise.

The Group also cannot provide assurance that it will, in all cases, be able to manage its growth effectively or deliver its strategic growth decisions, including its ability to:

- Manage efficiently the Group's operations and employees of expanding businesses.
- Maintain or grow the Group's existing customer base.
- Fully due diligence and assess 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 the Group's strategy.
- Align the Group's current information technology systems adequately with those of an enlarged group.
- Apply the Group's risk management policy effectively to an enlarged group.
- Manage a growing number of entities without over-committing management or losing key personnel.

Any failure to manage the Group's growth effectively, including any or all of the above challenges associated with the Group's growth plans, could have a material adverse effect on the Group's operating results, financial condition and prospects.

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 the Group.

5.28 Goodwill impairments may be required in relation to acquired businesses

The Group has made business acquisitions in recent years and may make further acquisitions 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, and 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 the Group's regulatory capital. Whilst no impairment of goodwill was recognised in 2016 or 2017, 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.

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

Supervision and new regulation

As a financial services group, the Group is subject to extensive financial services laws, regulations, administrative actions and policies in the UK, the EU and each other location in which the Group operates, including in the U.S. As well as being subject to UK regulation, as part of the Santander Group, the Group is also impacted through regulation by the Banco de España (the Bank of Spain) and, at a corporate level, by the ECB. The laws, regulations and policies to which the Group is subject may be changed at any time. In addition, the interpretation and the application of those laws, regulations and policies by regulators are also subject to change. Extensive legislation and implementing regulations affecting the financial services industry have recently been adopted in regions that directly or indirectly affect the Group's business, including Spain, the U.S., the EU, Latin America and other jurisdictions.

The manner in which financial services laws, regulations and policies are applied to the operations of financial institutions is still evolving. Moreover, to the extent these laws, regulations and policies are implemented inconsistently in the UK, the Group may face higher compliance costs. Any legislative or regulatory actions and any required changes to the Group's business operations resulting from such laws, regulations and policies as well as any deficiencies in the Group's compliance with such laws, regulations and policies, could result in significant loss of revenue, limit the Group's ability to pursue business opportunities in which the Group might otherwise consider engaging and limit the Group's ability to provide certain products and services. They may also affect the value of assets that the Group holds, requiring the Group to increase its prices and therefore reduce demand for its products, impose additional compliance and other costs on the Group or otherwise adversely affect the Group's businesses. Accordingly, there can be no assurance that future changes in laws, regulations and policies or in their interpretation or application will not adversely affect the Group.

During recent periods of 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. This intensive approach to supervision is maintained by the PRA and the FCA.

Proposals and measures taken by governmental, tax and regulatory authorities and further 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, the 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 Group's competitive position, particularly if such changes are implemented before international consensus is reached on key issues affecting the industry. Although the Group works closely with the Group's 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.

Banking reform

On 18 December 2013, the Financial Services (Banking Reform) Act (the "**Banking Reform Act**") was enacted. The Banking Reform Act implemented the recommendations of the Independent Commission on Banking (the "**ICB**") and of the Parliamentary Commission on Banking Standards, including:

- The establishment of a ring-fencing framework under FSMA pursuant to which UK banking groups that hold significant retail deposits are required to separate their retail banking activities from their wholesale banking activities by 1 January 2019.
- The introduction of a Senior Managers Regime and Certification Regime from 7 March 2016, replacing the Approved Persons Regime established under FSMA (as amended by the Financial Services Act 2012).
- The introduction of a new criminal offence for reckless misconduct in the management of a bank.
- The establishment of a new Payment Systems Regulator (the "**PSR**").
- The amendment of the Banking Act 2009 (the "**Banking Act**") to include a bail-in stabilisation power forming part of the special resolution regime. For further information, see the risk factor entitled "*Bail-in and write down powers under the Banking Act and the BRRD may adversely affect the Group's business and the value of securities it may issue, including the N&C Securities*".

On 7 July 2016, the PRA published a policy statement (PS20/16) entitled '*The Implementation of ring-fencing: prudential requirements, intragroup arrangements and use of financial market infrastructures*' containing its final ring-fencing rules designed to make provision for the group ring-fencing purposes outlined in the Banking Reform Act ahead of the implementation date for ring-fencing on 1 January 2019. The group ring-fencing purposes are intended to insulate a ring-fenced bank from and ensure that a ring-fenced bank is able to take decisions independently of, other members of its group.

Finally, the Banking Reform Act introduced a new form of transfer scheme, the ring-fencing transfer scheme, under Part VII of FSMA to enable UK banks to implement the ring-fencing requirements. This is a court process that requires (i) the PRA to approve the scheme (in consultation with the FCA); (ii) the appropriate regulatory authority in respect of each transferee to provide a certificate of adequate financial resources in relation to that transferee; and (iii) an independent expert (approved by the PRA, after consultation with the FCA) to provide a scheme report stating whether any adverse effect on persons affected by the scheme is likely to be greater than is reasonably necessary to achieve the ring-fencing purposes of the scheme. The PRA published its final statement of policy on its approach to ring-fencing transfer schemes on 4 March 2016.

The Group is subject to the ring-fencing requirement under the Banking Reform Act and, as a consequence, the Group will need to separate its core retail and small business deposit taking activities from its prohibited activities. In light of the changeable macro-environment, the board of the Issuer concluded in December 2016 that it could provide greater certainty for its customers with a 'wide' ring-fence structure, rather than the 'narrow' ring-fence structure it had originally envisaged in early 2016. Under this revised model, the Issuer, the main ring-fenced bank, will serve the Group's retail, commercial and corporate customers. The majority of the Group's customer loans and assets as well as customer deposits and liabilities will remain within the Issuer or Cater Allen Limited, as ring-fenced banks. Prohibited activities which cannot continue to be transacted within the ring-fenced banks principally include the derivatives business with financial institutions and certain corporates, elements of the Group's short term markets business and its branches in Jersey, Isle of Man and the U.S.

The implementation of the new ring-fencing model entails a legal and organisational restructuring of the Group's businesses and operations, including through a ring-fencing transfer scheme. It is expected that Abbey National Treasury Services plc ("**ANTS**") will cease the activities of its U.S. branch and

transfer the majority of its other business; with products, arrangements and customers and other stakeholders which are permitted in the ring fence transferred to the Issuer and products, transactions, arrangements and customers and other stakeholders which are prohibited within the ring-fence transferred to Banco Santander S.A. or its London Branch. The Group's current intention is to transfer the business of the Jersey and Isle of Man branches to a member of the Group outside the ring-fence using transfer schemes under the applicable laws. Its target remains to complete the implementation of its ring-fencing plans in advance of the legislative deadline of 1 January 2019.

On 13 June 2018, the High Court of England and Wales (the "**Court**") approved the Issuer's ring-fencing transfer scheme under Part VII of the FSMA (the "**Scheme**") and the PRA consented to the application to the Court for approval of the Scheme. However, implementation of the ring-fencing model continues to depend on a number of factors, including approvals from applicable regulators and court sanctions. There can be no assurance that these approvals or sanctions will be obtained in line with the Group's implementation plan and other factors such as economic conditions in the UK and globally and developments on the terms of the UK exit from the EU may have a bearing on the implementation of the ring-fence. In light of the scale and complexity of this process, the operational and execution risks for the Group may be material. This restructuring and migration of customers and transactions could have a material impact on how the Group conducts its business. The Group is unable to predict with certainty the attitudes and reaction of its customers.

The restructuring of the Group's business pursuant to the developing ring-fencing regime will take a substantial amount of time and cost to implement, the separation process and the structural changes which may be required could have a material adverse effect on its business, operating results, financial condition, profitability and prospects.

EU fiscal and banking union

The European banking union is expected to be achieved through new harmonised banking rules (in a single rulebook) and a new institutional framework with stronger systems for both banking supervision and resolution that will be managed at a European level. Its two main pillars are the Single Supervisory Mechanism ("**SSM**") and the Single Resolution Mechanism ("**SRM**").

The SSM (comprising both the ECB and the national competent authorities) is designed to assist in making the banking sector more transparent, unified and safer. On 4 November 2014, the ECB fully assumed its new supervisory responsibilities within the SSM, in particular direct supervision of 124 significant banks (at 1 April 2017) in the eurozone, including Banco Santander.

Regulation (EU) No. 806/2014 of the European Parliament and the Council of the EU (the "**SRM Regulation**") became effective from 1 January 2015 and establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the SRM and Single Resolution Fund ("**SRF**"). The new Single Resolution Board ("**SRB**"), which is the central decision-making body of the SRM fully assumed its resolution powers on 1 January 2016. The SRB is responsible for managing the SRF.

Further, regulations adopted towards achieving a banking and/or fiscal union in the EU and decisions adopted by the ECB in its capacity as Banco Santander's main supervisory authority may have a material impact on the Group's business, financial condition and results of operations and may be impacted by the terms of the UK's exit from the EU (for more information, see the risk factor entitled "*Exposure to UK political developments, including the ongoing negotiations between the UK and EU, could have a material adverse effect on the Group*").

European structural reform

On 29 January 2014, the Commission published proposals on structural measures to improve the resilience of EU credit institutions which included potential separation of certain trading activities from retail banking activities and a ban on proprietary trading. The proposal currently contemplates that EU Member States that have already implemented ring-fencing legislation may apply for a derogation from the separation of trading activities provisions included in the proposals if they can satisfy the Commission that such local legislation meets the objectives and requirements set out in the EU proposal. However, the European Parliament and Council are also considering a version of the proposal without the derogation provision. Notwithstanding the possible derogation referred to above, the

adoption of this proposal in its current, or in an amended, form may require further changes to the Group's structure and business although as a result of the UK EU Referendum, there is ongoing uncertainty regarding the continuing relevance of EU regulations and reforms in the UK (for more information, see the risk factor entitled "*Exposure to UK political developments, including the ongoing negotiations between the UK and EU, could have a material adverse effect on the Group*").

5.30 **Other regulatory reforms adopted or proposed in the wake of the financial crisis**

On 16 August 2012, the EU regulation on over-the-counter ("**OTC**") derivatives, central counterparties and trade repositories, referred to as the European Market Infrastructure Regulation ("**EMIR**") came into force. EMIR introduced a number of requirements, including clearing obligations for certain classes of OTC derivatives, margin requirements for non-centrally cleared derivatives and various reporting and disclosure obligations. Certain details remain to be clarified in the further binding technical standards to be adopted by the Commission, which creates some uncertainty as to the final impact on the Group, however, the implementation of EMIR has already led and may yet lead to changes which may negatively impact the Group's profit margins, require the Group to adjust its business practices or increase its costs (including compliance costs).

The revised and re-enacted Markets in Financial Instruments legislation ("**MiFID**") replaces the existing MiFID framework and comprises the Directive 2014/65/EU on markets in financial instruments (as amended, "**MiFID II**") and the Regulation 600/2014 of the European Parliament and of the Council of 15 May 2014 and amending Regulation (EU) No 648/2012 ("**MiFIR**"), the substantive provisions of which became applicable on 3 January 2018 and introduced an obligation to trade certain classes of OTC derivative contracts on trading venues. Certain details remain to be clarified in further binding technical standards to be adopted by the Commission. Although the full impact of MiFID II and MiFIR on the Group is not yet known, MiFID II and MiFIR may lead to changes which negatively impact the Group's profit margins, require it to adjust its business practices or increase its costs (including compliance costs). It is possible that the measures and procedures the Group has introduced might, in future, be deemed to be misaligned with MiFID obligations, or that individuals within the business may not fully comply with the new procedures. If there are breaches of the Group's MiFID obligations or of other existing laws and regulations relating to financial crime, it could face significant administrative, regulatory and criminal sanctions and restrictions on the conduct of its business and operations, as well as reputational damage which could have a material adverse effect on its operations, financial condition and prospects.

5.31 **U.S. Regulation**

In the U.S., the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") enacted in 2010, has been implemented in part and continues to be implemented by various U.S. 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 and significantly expands the coverage and scope of regulations that limit affiliate transactions within a banking organisation. Over 2012-2015, the U.S. Commodity Futures Trading Commission (the "**CFTC**") and the U.S. Prudential Regulators adopted a host of new regulations for swaps markets, including swap dealer registration, business conduct, mandatory clearing, exchange trading and margin regulations. ANTS, which became provisionally registered as a swap dealer with the CFTC on 4 November 2013, is currently subject to these regulations for its U.S. facing swaps activities. These rules have already increased and could continue to increase the costs associated with the Group's swaps business. In addition, certain cross-border regulatory conflicts could adversely affect the profitability of the Group's swaps business by reducing the range of counterparties with which the Group can trade effectively.

In October 2014, U.S. regulators adopted a joint final rule requiring sponsors of asset-backed securitisation transactions, which would include the Issuer in relation to its residential mortgage-backed securities programmes, to retain 5 per cent. of the credit risk of the assets subject to the securitisation. The rule permits sponsors to satisfy the risk retention requirement through the acquisition and retention of either 5 per cent. (measured by fair value) of the most subordinated interest in the securitisation, or 5 per cent. (measured by nominal value) of each tranche of interests issued by the securitisation, or some combination of the two. The rule also permits certain exceptions and methods of compliance in respect of specific types of asset-backed securities transactions. The final rule took effect for residential

mortgage-backed securities transactions on 24 December 2015, and on 24 December 2016 for other securitisation transactions.

Within the Dodd-Frank Act, the so-called Volcker Rule prohibits 'banking entities', including the Group, from engaging in certain forms of proprietary trading or from sponsoring or investing in certain covered funds, in each case subject to certain exemptions, including exemptions permitting foreign banking entities to engage in trading and fund activities that take place solely outside of the U.S. The final rules contain exclusions and certain exemptions for market-making, hedging, underwriting, trading in U.S. government and agency obligations as well as certain foreign government obligations, trading solely outside the U.S., and also permit ownership interests in certain types of funds to be retained. The Group was generally required to come into compliance with the Volcker Rule by July 2015, although the Federal Reserve extended the conformance deadline for pre-2014 "legacy" investments in and relationships with private equity funds and hedge funds until 21 July 2017 and additional extensions for illiquid funds may be requested. The Group has assessed how the final rules implementing the Volcker Rule affect the Group's businesses and have adopted the necessary measures to bring the Group's activities into compliance with the current rule. On 30 May 2018, the Federal Reserve and other federal regulators requested comment on proposed modifications to the Volcker Rule, including modifications to the scope of restrictions on proprietary trading and investments in covered funds. It cannot be predicted at this time what, if any, modifications to the Volcker Rule may be adopted or what the impact of such changes would be on the Group.

Each of these aspects of the Dodd-Frank Act, as well as the changes in the U.S. banking regulations, and increased uncertainty surrounding future changes, may directly and indirectly impact various aspects of the Group's business. The full spectrum of risks that the Dodd-Frank Act, including the Volcker Rule, pose to the Group is not yet known, however, such risks could be material and the Group could be materially and adversely affected by them.

5.32 **Competition**

In the UK and elsewhere, there is continuing political, competitive and regulatory scrutiny of the banking industry. Political involvement in the regulatory process, in the behaviour and governance of the UK banking sector and in the major financial institutions in which the UK Government has a direct financial interest is likely to continue. The Competition and Markets Authority ("**CMA**") is the UK's main competition authority responsible for ensuring that competition and markets work well for consumers. In addition, under the Banking Reform Act, as of 1 April 2015, the FCA has the power to enforce against breaches of the Competition Act 1998 and to refer markets to the CMA for in-depth investigation in the areas of financial services in the UK. As of 1 April 2015, the PSR also has an objective and powers equivalent to those of the FCA to promote competition in the payments industry.

In August 2016, the CMA published the final report in its market investigation into competition in the personal current account and SME retail banking markets, which identified a number of features of the markets for the supply of personal current accounts, business current accounts and SME lending that, in combination, were having an adverse effect on competition. The CMA is currently implementing a comprehensive package of remedies including, among other things, the introduction of requirements to prompt customers to review the services that they receive from their bank at certain trigger points and to promote customer awareness of account switching. Further work on overdraft charges is ongoing by the FCA, which remains under political scrutiny.

The FCA has recently announced a Strategic Review of Retail Banking Business Models to examine the business models used in the retail banking sector. The FCA will look at the business models of firms to identify any potential conduct or competition issues, explore how free-if-in-credit banking is paid for and understand the impact of changes such as digital conversion and reduced branch usage on business models. The FCA will then consider potential consequences for its consumer protection and competition objectives. It intends to share the results of its analysis in the second quarter of 2018. There can be no assurance that the Group will not be required to make changes to its business model as a result of this review, and that such changes would not materially and adversely affect the Group.

In addition, the FCA and PSR continue to undertake a number of competition related studies and reviews across a number of the Group's businesses. Intervention as a result of these studies and reviews, in addition to regulatory reforms, investigations 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 its customers and potential customers.

The Payment Services Directive II ("**PSD2**") is a fundamental piece of payments-related legislation in Europe that came into force on 13 January 2018, and creates a legal framework for requiring payment service providers ("**PSPs**") such as the Issuer to give certain third party providers ("**TPP**") authorised by the FCA access to certain customer account and payments data. The PSD2 customer data access requirements are not expected to come into force until 18 months after the publication of relevant Regulatory Technical Standards, and are therefore not expected to become binding until at least Q3 2019. Separately, in 2016 the CMA launched the UK Open Banking initiative, which initially came into force on 13 January 2018 but has since been subject to some implementation date extensions (including in relation to the Issuer). Open Banking mandates certain retail banking providers in the UK, including the Issuer, to grant access to customer and transaction data through standardised API technology developed by the UK Open Banking Implementation Entity.

Open Banking and PSD2 have the potential to exacerbate a number of existing risks including data loss/data protection, cyber security, fraud and wider financial crime risk, which in turn could give rise to increased costs, litigation risk and risk of regulatory investigation and enforcement activity. An example of the heightened risk is the risk of fraud relating to activities of a TPP pursuant to which funds are redirected to a third party not chosen by the customer; or risk of data misuse by a TPP/other third party where the TPP has requested the data from the Group and this is provided to the TPP.

5.33 **Financial crime**

There are a number of EU and UK proposals and measures targeted at preventing financial crime (including anti-money laundering ("**AML**") and countering the financing of terrorism ("**CTF**") provisions) which came into effect in 2017 or are expected to come into effect in 2018.

As part of the EU's revision of its AML / CTF rules, Directive (EU) No 2015 / 849 (the "**Fourth EU Anti-Money Laundering Directive**") and Regulation (EU) No 847 / 2015 (the "**EU Wire Transfer Regulation**") came into effect on 26 June 2017. The Fourth EU Anti-Money Laundering Directive replaces existing Directive (EC) No 60 / 2005 and significantly expands the existing AML / CTF regime applicable to financial institutions by, among other things:

- increasing the customer due diligence checks required for particular transactions;
- introducing a requirement to take appropriate steps to identify and assess the risks of money laundering and terrorist financing and to have in place policies, controls and procedures to mitigate and manage those risks effectively;
- having EU Member States hold beneficial ownership details on a central register for entities incorporated within their territory; and
- applying the UK's AML / CTF requirements to the branches and majority-owned subsidiaries of financial institutions that are located in non-EEA countries with less strict regimes.

On 22 June 2017, the final text of the Anti-Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 was published, which came into force on 26 June 2017 and implements the requirements of the Fourth EU Anti-Money Laundering Directive into national law. Regulations amending the national People with Significant Control Regime also came into force on 26 June 2017.

On 15 December 2017, the Council of EU and the European Parliament reached a political agreement on the EU Commission's proposal to amend the Fourth EU Anti-Money Laundering Directive. The amended directive ("**5th AMLD**") seeks to prevent large scale concealment of funds and to introduce increased corporate transparency rules, whereby corporate and other legal entities will be required by law to publicly disclose information on beneficial ownership. The amended directive also introduces the application of AML rules to firms providing services associated with virtual currencies and further extends enhanced due diligence requirements to all transactions with natural persons or legal entities established in third countries identified as high risk countries pursuant to Article 9 (2) of the Directive. Following the political agreement between the co-legislators, EU Member States will have until mid-

2019 to implement the 5th AMLD into national legislation. UK regulations and/or guidance is expected later in 2018.

The EU Wire Transfer Regulation replaces the existing Regulation (EC) No 1781/2006. This regulation will apply to all transfers of funds in any currency which are sent or received by a payment service provider ("**PSP**") or an intermediary PSP established in the EU, subject to certain exceptions for low-risk and low-value payments. The payer's PSP is required to ensure that any transfer of funds is accompanied by the identification information prescribed in the regulation and must verify the accuracy of this information from a reliable and independent source. Obligations are also imposed on the payee's PSP to implement effective procedures to detect whether the information about the payer or payee in the messaging or payment and settlement system is incomplete and to take a risk-based approach to determining whether to execute, reject or suspend a transfer of funds with missing information.

The UK Policing and Crime Act 2017 (the "**Policing and Crime Act**") contains several measures to strengthen the enforcement of financial sanctions including enhanced criminal penalties and the power to impose monetary penalties for breaches of financial sanctions, deferred prosecution agreements and serious crime prevention orders for such breaches and the power to temporarily implement UN financial sanctions in the absence of EU implementing measures. The Policing and Crime Act received royal assent on 31 January 2017. Banks are expected to take a proactive approach to reporting any potential sanctions breaches to the new Office of Financial Sanctions Implementation ("**OFSI**"), as set out in recent OFSI Guidance. Under the Policing and Crime Act, OFSI has powers to fine banks a maximum of £1 million or 50 per cent of the estimated value of the funds or resources, whichever is greater, as well as criminal enforcement powers. The penalty powers apply to offences after the 1 April 2017. In 2016, just over one hundred suspected breaches were reported by firms to OFSI, of which 95 were deemed actual breaches, totalling £75 million.

The UK Immigration Act 2016 requires banks to conduct immigration checks on their current account holders and report any persons unlawfully present in the UK to the Home Office. Banks are required to perform quarterly checks to determine whether they are operating a current account for a person known by the Home Office to be in the UK illegally. If a bank establishes that a customer is an illegal migrant, they will have a duty to report the match and details of any other accounts they provide to the Home Office. The FCA has responsibility for supervising banks adherence to the requirements of the Act. The Home Office may require the bank to close the accounts of such individuals as soon as reasonably practicable. The regulations implementing these changes are expected to be published in 2017.

Finally, the Criminal Finances Act 2017 (the "**CF Act**"), which came into force on 30 September 2017, introduces a new offence (modelled on the corporate offence under section 7 of the UK Bribery Act 2010) which will be committed by a corporation which fails to prevent the criminal facilitation of tax evasion by its associated persons (which includes its employees, agents and other persons who perform services for or on behalf of it) regardless of whether the tax is owed in the UK or another country. There is a defence where the corporation has put in place reasonable prevention procedures. If an offence is committed, unlimited financial penalties or ancillary orders could be imposed. The CF Act includes a range of further provisions targeted at improving the UK government's ability to tackle money laundering and corruption, recover the proceeds of crime and counter terrorist financing and enables greater sharing of information between entities within the regulated sector and enforcement agencies. Failure to comply with the requirements of the CF Act could expose the Group to significant criminal or civil sanctions.

The implementation of the foregoing measures (whether in their current form or as amended) will materially increase the Group's regulatory and compliance burden, particularly if the time frame for implementation is short. The regulatory changes required substantial amendments to Group's AML / CTF procedures and policies and may yet require further such amendments. The changes could adversely impact the Group's business by increasing its operational and compliance costs and reducing the value of its assets and operations. These challenges are exacerbated by the complexity arising from overlapping requirements between different legislation, and, in some instances, conflicts of laws. There are also some requirements which have extra-territorial effect, for example, the UK Bribery Act 2010. There are challenges in ensuring the compliance of entities over which the Group does not have full control or where the UK rules do not align easily with the local requirements. There is a risk that the measures will not be implemented correctly or on time or that individuals within the business will not be fully compliant with the new procedures. If there are breaches of these measures, the Group could face significant administrative, regulatory and criminal sanctions and restrictions on the conduct of its

business operations, as well as reputational damage which could have a material adverse effect on its operations, financial condition and prospects.

5.34 **EU General Data Protection Regulation**

The GDPR has direct effect in all EU Member States from 25 May 2018 and will replace current EU data privacy laws. Although a number of basic existing principles will remain the same, the GDPR introduces new obligations on data controllers and rights for data subjects, including, among others:

- Accountability and transparency requirements, which will require data controllers to demonstrate and record compliance with the GDPR and to provide more detailed information to data subjects regarding processing.
- Enhanced data consent requirements, which includes "explicit" consent in relation to the processing of sensitive data.
- Obligations to consider data privacy as any new products or services are developed and limit the amount of information collected, processed, stored and its accessibility.
- Constraints on using data to profile data subjects.
- Providing data subjects with personal data in a useable format on request and erasing personal data in certain circumstances.
- Reporting of breaches without undue delay (72 hours where feasible).

The GDPR also introduced new fines and penalties for a breach of requirements, including fines for systematic breaches of up to the higher of 4 per cent. of annual worldwide turnover or €20 million and fines of up to the higher of 2 per cent. of annual worldwide turnover or €10 million (whichever is highest) for other specified infringements. The GDPR identifies a list of points to consider when imposing fines (including the nature, gravity and duration of the infringement).

The implementation of the GDPR will require substantial amendments to the Group's procedures and policies. The changes could adversely impact its business by increasing its operational and compliance costs. Further, there is a risk that the measures will not be implemented correctly or that there may be partial non-compliance with the new procedures. If there are breaches of the GDPR obligations, the Group could face significant administrative and monetary sanctions as well as reputational damage, which could have a material adverse effect on its operations, financial condition and prospects.

5.35 **Various recent 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 consolidated proposals arising out of its wide-ranging mortgage market review. In October 2012, the FSA published a feedback statement and the final rules in relation to the FCA Mortgage Market Review ("MMR") generally came into force on 26 April 2014. These rules required a number of material changes to the mortgages sales process both in terms of advice provision in nearly all scenarios and significantly enhanced affordability assessment and evidencing. The new rules permit interest-only loans. However, there is a clear requirement for a clearly understood and credible strategy for repaying the capital (evidence of which the lender must obtain before making the loan).

The Group has implemented certain changes to implement the MMR requirements. The FCA continues to assess firms' implementation of the rules introduced as a result of the MMR and commenced a review of responsible lending practices in April 2015, publishing its report in May 2016. This is in addition to regulatory reforms being made as a result of the implementation of the Mortgage Credit Directive from 21 March 2016. In December 2016, the FCA published terms of reference for a market study into competition in the mortgages sector, which will focus on consumers' ability to make effective decisions and whether commercial arrangements between lenders, brokers and other players leads to conflicts of interest or misaligned incentives to the detriment of consumers. Following a deferral, the FCA published its interim report setting out its preliminary conclusions in May 2018 and stated that it will publish its final report later in 2018. There can be no assurance that the Group will not

make any future changes to its mortgage lending business, whether as a result of the MMR or other mortgage lending reforms, and that such changes would not adversely affect the Group.

It is possible that further changes may be made to the FCA's Mortgage Conduct of Business ("MCOB") rules as a result of these reviews and other related future regulatory reforms. To the extent that any new rules do apply to any of the loans, failure to comply with these rules may entitle a borrower to claim damages for loss suffered or set-off the amount of the claim against the amount owing under the loan. Any further changes to the FCA's MCOB rules or to MCOB or the FSMA or changes in the regulatory structure or the Financial Services Act 2012, may adversely affect the Group's operating results, financial condition and prospects.

5.36 Consumer credit

On 1 April 2014, consumer credit regulation was transferred from the Office of Fair Trading (the "OFT") to the FCA in accordance with the Financial Services Act 2012. Firms that held an OFT licence and had registered with the FCA by 31 March 2014, including the Issuer, were granted an interim permission under the new regime and had to apply to the FCA for full authorisation during an application period notified by the FCA. Under the new regime: (i) 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 (ii) the FCA has the power to make rules providing that contracts made in contravention of its rules on cost and duration of credit agreements, or in contravention of its product intervention rules, are unenforceable. The Issuer is fully authorised to carry out consumer credit-related regulated activities, however, if the FCA were to impose conditions on that authorisation and/or make changes to the FCA rules applicable to authorised firms with consumer credit permissions, this could have an adverse effect on the Group's operating results, financial condition and prospects.

5.37 The Group is exposed to risk of loss from legal and regulatory proceedings (civil and/or criminal)

The Group faces various issues that may give rise to risk of loss and damage from legal and regulatory proceedings (civil and/or criminal). These issues could include failing to comply with existing applicable legal and regulatory requirements or failing to implement properly new applicable law and regulation, and could result in claims against the Group or subject the Group to regulatory or criminal enforcement actions, fines and/or penalties. The current regulatory environment, with its increased supervisory focus and associated enforcement activity, combined with uncertainty about the evolution of the regulatory regime, may lead to material operational and compliance costs. These include the risk that:

- regulators, agencies and authorities with jurisdiction over the Group including, the BoE, the PRA and the FCA, HM Treasury, HM Revenue & Customs ("HMRC"), the CMA, the Commission, the Information Commissioner's Office, the Financial Ombudsman Service ("FOS"), the PSR, the Serious Fraud Office ("SFO"), the National Crime Agency or the courts, may determine that certain aspects of the Group's business have not been or are not 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;
- given the recent concurrent competition enforcement powers for the FCA and PSR, there is an increased focus on competition law in financial services which may increase the likelihood of competition law inquiries or investigations;
- 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 deemed to have been inappropriate, results in enforcement action (including 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 bank accounts for entities that might be or are subject to scrutiny from various regulators and authorities, including the SFO and regulators in the U.S. and elsewhere, which could lead to the Group's conduct being reviewed as part of any such scrutiny; and

- the Group may be liable for damages to third parties harmed by the conduct of the Group's business. For competition law, there are efforts by governments across Europe to promote private enforcement as a means of obtaining redress for harm suffered as a result of competition law breaches. Consequently, since 1 October 2015 under the Consumer Rights Act, class actions may be used to allow the claims of a whole class of claimants into a single action in both follow-on and standalone competition cases.

The Group is from time to time subject to certain claims and party to certain legal proceedings brought by private individuals or regulators in the normal course of the Group's business, including in connection with the Group's lending activities, relationships with the Group's employees and other commercial or tax matters. These can be brought against the Group under UK regulatory processes or in the UK courts, or under regulatory processes in other jurisdictions, such as the EU and the U.S., where some Group entities operate. In view of the inherent difficulty of predicting the outcome of legal matters and regulatory actions, 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 and/or penalties related to each pending matter may be and these pending matters are not disclosed by name because they are under assessment. The Group believes that it has made adequate provisions related to these various claims and legal proceedings where the Group is reasonably able to estimate them. These provisions are reviewed periodically. However, 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 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 the Group's level of income for that period.

The FCA carries out regular and frequent firm-specific and thematic 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 suspension of sales, withdrawal of services, customer redress, fines and reputational damage.

Failure to manage adequately the risks arising in connection with the Group's obligations under both existing applicable law and regulation and failing to implement properly new applicable law and regulation could result in significant losses including in relation to administrative, regulatory or criminal sanctions, as well as reputational damage, all of which may have a material adverse effect on the Group's operations, financial condition and prospects.

5.38 Potential intervention by the FCA, the PRA, the CMA or an overseas regulator may occur, particularly in response to customer complaints

The PRA and the FCA continue to have a more outcome-focused regulatory approach. This involves proactive intervention, investigation and enforcement, and punitive penalties for infringement. As a result, the Group and other PRA and/or FCA authorised firms continue to face increased supervisory intrusion and scrutiny (resulting in increasing costs including supervision fees), and in the event of a breach of relevant law or regulation, the Group is likely to face more stringent penalties and regulatory actions.

The developing legal and regulatory regime in which the Group operates requires the Group to be compliant across all aspects of the Group's business, including the training, authorisation and supervision of personnel, systems, processes and documentation. If the Group fails to be compliant with relevant law or regulation, there is a risk of an adverse impact on the Group's business from more proactive regulatory intervention (including by any overseas regulator which establishes jurisdiction), investigation and enforcement activity leading to sanctions, fines or other action imposed by or agreed with the regulatory authorities, as well as increased costs associated with responding to regulatory inquiries and defending regulatory actions. Customers of financial services institutions, including the Group's customers, may seek redress if they consider that they have suffered loss for example as a result of the mis-selling of a particular product, or through incorrect application of the terms and conditions of a particular product or in connection with a competition law infringement.

In particular, the FCA has operational objectives to protect consumers and to promote competition, and it is taking a more interventionist approach in its increasing scrutiny of product terms and conditions

and monitoring compliance with competition law. 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. These powers are echoed by those granted under MiFID II, which apply as of 3 January 2018, and as a result of which the FCA has set out its policy on the making of temporary product intervention rules in Chapter 2 of its new Product Intervention and Product Governance Sourcebook.

Since April 2015 the FCA (and the PSR) also has concurrent competition law enforcement powers. This is in addition to the CMA, the UK's main competition authority, and the Commission which continue to have jurisdiction, respectively, to enforce competition law infringements in the UK or which have an effect on trade between EU Member States. Following a report by the National Audit Office, the CMA has stated it will seek to shift its focus toward enforcement of competition law breaches. As a result, the UK financial services sector now operates in an environment of heightened competition law scrutiny. Under the Financial Services Act 2010, the FCA also has the power to impose its own customer redress scheme on authorised firms, including the Group, if it considers that consumers have suffered loss or damage as a consequence of a regulatory failing, including misselling.

In recent years there have been several industry-wide issues in which the FCA has intervened directly. One such issue is the mis-selling of PPI where, following an unsuccessful legal challenge by the British Bankers' Association ("**BBA**") in 2011 of new FSA rules which altered the basis on which regulated firms must consider and deal with complaints in relation to the sale of PPI, the Issuer, along with other institutions, revised its provision for PPI complaint liabilities in 2011 to reflect the change in rules and the consequential increase in claims levels. No additional provisions were made for PPI in 2012 or 2013. In 2014, a total charge of £140 million, including related costs, was made for conduct remediation. Of this, £95 million related to PPI. In November 2015, the FCA issued a consultation paper (the "**Consultation Paper**") outlining its proposed approach to PPI in light of the 2014 decision of the Supreme Court in *Plevin v Paragon Personal Finance Ltd* ("**Plevin**") and its proposal to set a two year deadline for PPI claims. In March 2017, the FCA published final rules and guidance with respect to PPI complaints in light of Plevin (which came into force on 29 August 2017). The FCA confirmed that, save in exceptional circumstances, the FOS cannot consider complaints in respect of PPI contracts sold prior to 29 August 2017 unless such complaints are referred to the relevant firm or the FOS on or prior to 29 August 2019. However this FCA deadline does not affect the ability of a borrower to pursue their complaint through the courts and the 29 August 2019 deadline will not apply to such claims.

In Plevin, the Supreme Court ruled that a failure to disclose a large commission payment on a single premium PPI policy sold in connection with a secured personal loan made the relationship between the lender and the borrower unfair under section 140A of the Consumer Credit Act 1974.

Regarding the two year deadline for PPI claims, the FCA outlined details of a £42.2 million media campaign, funded by the 18 firms (including firms in the Group) that have reported the most PPI complaints. When assessing the adequacy of the Group's provision, the Group has applied its interpretation of the proposed rules and guidance in the Consultation Paper to its current assumptions. This application resulted in an additional £450 million provision charge in December 2015, which represented the Group's best estimate of the remaining redress and costs at that time, notwithstanding the ongoing nature of the consultation. New legislation was introduced in 2015 which has the effect of restricting the corporation tax deductibility for a large proportion of this cost. This new legislation is further detailed in the risk factor entitled "*Changes in taxes and other assessments may adversely affect the Group*". The PPI provision amounted to £457 million at 31 December 2016. The Group made an additional £114 million provision charge in December 2016, which included its best estimate of Plevin-related claim costs and a £30 million charge for a specific portfolio under a past business review. The Group made an additional provision of £32 million in March 2017 in response to the final rules and guidance published by the FCA, which represents the Group's best estimate of additional future costs. In June 2017, the Group made a further net charge of £37 million, following a review of claims handling procedures in relation to a specific PPI portfolio including the impact of a past business review. In the fourth quarter of 2017, it made a further PPI provision of £40 million, relating to an

increase in estimated future claims activity following the commencement of the FCA advertising campaign for PPI.

Given the above, the ultimate financial impact on the Group of the claims arising from PPI complaints is still uncertain and will depend on a number of factors, including changes to the FOS' approach to handling customer complaints (if any), the rate at which new complaints arise, the length of any complaints, the content and quality of the complaints (including the availability of supporting evidence) 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 made relating to these claims. More generally, the Group can make no assurance that estimates for potential liabilities, based on the key assumptions used, are correct. 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 were to be incurred, 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 Association 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. A "super-complaint" is a complaint made by any of these designated consumer bodies 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" were made against a Group entity by a designated consumer body under the Order, any response published or action taken by the FCA could have a material adverse effect on the Group's operating results, financial condition and prospects.

Given the requirement for compliance with an increasing volume of relevant laws and regulation, more proactive regulatory intervention and enforcement and more punitive sanctions and penalties for infringement, inherent unpredictability of litigation, and evolution of jurisdiction for FOS and related impacts (including the changes proposed by the FCA in the consultation paper (CP18/3) on 22 January 2018, proposing changes to the eligibility criteria to access the FOS), it is possible that related costs or liabilities could have a material adverse effect on the Group's operating results, financial condition and prospects.

5.39 **The Banking Act may adversely affect the Group's business**

The Banking Act came into force on 21 February 2009. The special resolution regime set out in the Banking Act provides HM Treasury, the BoE, 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.

In addition, pursuant to amendments made to the Banking Act, which came into force on 1 August 2014, provision has been made for various 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. Secondary legislation specifies that the Banking Act powers can be applied to investment firms that are required to hold initial capital of €730,000 or more and to certain UK incorporated non-bank companies in the Group.

If an instrument or order were made under the Banking Act in respect of the Issuer or another Group entity, 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 the Issuer or such other entity; (ii) impact on the rights of the holders of shares or other securities in the Issuer (including holders of the N&C Securities) 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 the shares and/or other securities of the Issuer (including the N&C Securities). In addition, such an order may affect matters in respect of the Issuer and/or other aspects of its shares or other securities (including the N&C Securities), which may negatively affect the ability of the Issuer to meet its obligations in respect of such shares or securities.

Further, amendments to the Insolvency Act 1986 and secondary legislation have introduced changes to the treatment and ranking of certain debts with the result that certain eligible deposits will rank in priority to the claims of ordinary (i.e. non-preferred) unsecured creditors in the event of an insolvency (including holders of the N&C Securities). This may negatively affect the ability of the Issuer or such other entity to meet its obligations in respect of its unsecured creditors (and the N&C Securities) in an insolvency scenario.

The exercise of any special resolution power or any suggestion of any such exercise could materially adversely affect the value of any N&C Securities and could lead to holders of the N&C Securities losing some or all of the value of their investment in the N&C Securities.

5.40 Bail-in and write down powers under the Banking Act and the BRRD may adversely affect the Group's business and the value of securities it may issue (including the N&C Securities)

The Banking Reform Act as of 31 December 2014 amended the Banking Act to introduce a UK "bail-in power". On 6 May 2014, the European Council adopted the BRRD, which contains a similar bail-in power and requires EU Member States to provide resolution authorities with the power to write down the claims of unsecured creditors of a failing institution and/or to convert unsecured debt claims to equity (subject to certain parameters). The UK government decided to implement the BRRD bail-in power from 1 January 2015. The new PRA and FCA rules and supervisory statements took effect from 19 January 2015, with the exception of the rules that require a contractual clause recognising bail-in powers in foreign law liabilities. These rules were phased in, with the first phase, which applies to debt instruments, having commenced on 19 February 2015. The second phase, which applies to all other relevant liabilities, commenced on 1 January 2016.

The UK bail-in power is an additional power available to the UK resolution authorities under the special resolution regime provided for in the Banking Act to enable them to recapitalise a failed institution by allocating losses to such institution's shareholders and unsecured creditors, subject to the rights of such shareholders and unsecured creditors to be compensated under a bail-in compensation order, which is based on the principle that such creditors should receive no less favourable treatment than they would have received had the bank entered into insolvency immediately before the coming into effect of the bail-in power. The bail-in power includes the power to (a) cancel or write down (in whole or in part) certain liabilities (including the N&C Securities), (b) modify the terms of certain contracts for the purposes of reducing or deferring the liabilities of a relevant institution under resolution (including, in the case of debt instruments such as the N&C Securities, altering the maturity and/or the amount of any interest payable and/or imposing a temporary suspension of payments) and (c) convert certain liabilities (including the N&C Securities) into ordinary shares (or other instruments of ownership) of the relevant institution. The conditions for use of the UK bail-in power are generally that (i) the regulator determines the relevant institution is failing or likely to fail; (ii) it is not reasonably likely that any other action can be taken to avoid such relevant institution's failure; and (iii) the relevant UK resolution authority determines that it is in the public interest to exercise the bail-in power. Certain liabilities are excluded from the scope of the bail-in powers, including liabilities to the extent that they are secured.

According to the Banking Act, as well as similar principles in the BRRD, the relevant UK resolution authority should have regard to the insolvency treatment principles when exercising the UK bail-in

power in respect of the N&C Securities. The insolvency treatment principles are that (i) the exercise of the UK bail-in power should be consistent with treating all liabilities of the bank in accordance with the priority that they would enjoy on a liquidation and (ii) any creditors who would have equal priority on a liquidation should bear losses on an equal footing with each other. HM Treasury may, by order, specify further matters or principles to which the relevant UK resolution authority must have regard when exercising the UK bail-in power. These principles may be specified in addition to, or instead of, the insolvency treatment principles. If the relevant UK resolution authority departs from the insolvency treatment principles when exercising the UK bail-in power, it must report to the Chancellor of the Exchequer stating the reasons for its departure.

The bail-in power under the Banking Act and the BRRD may potentially be exercised in respect of any unsecured debt securities issued by a financial institution under resolution or by a relevant member of the Group, regardless of when they were issued. Accordingly, the bail-in power under the Banking Act and the BRRD could be exercised in respect of the Group's debt securities. The Group expects that public financial support would only be used as a last resort after having assessed and exploited, to the maximum extent possible, the resolution tools, including the bail-in tool, and the occurrence of circumstances in which bail-in powers would need to be exercised in respect of any of the Group entity would likely have a negative impact on its business.

The BRRD also contains a mandatory write-down power which requires EU Member States to grant powers to resolution authorities to recapitalise institutions and/or their EEA parent holding companies that are in severe financial difficulty or at the point of non-viability by permanently writing-down Tier 1 and Tier 2 capital instruments issued by such institutions and/or their EEA parent holding companies, or converting those capital instruments into ordinary shares (or other instruments of ownership). The mandatory write-down provision has been implemented in the UK through the Banking Act. Before taking any form of resolution action or applying any resolution power set out in BRRD), the UK resolution authorities have the power (and are obliged when specified conditions are determined to have been met) to write down, or convert Tier 1 and Tier 2 capital instruments issued by the relevant institution into CET1 capital instruments before, or simultaneously with, the entry into resolution of the relevant entity. These measures could be applied to certain of the Group's debt securities. The occurrence of circumstances in which write down powers would need to be exercised in respect of the Issuer or any other Group entity would be likely to have a negative impact on the Group's business.

In contrast to the creditor protections afforded in the event of the bail-in powers being exercised, holders of capital instruments will not be entitled to the "no creditor worse off" protections under the Banking Act in the event that their capital instruments are written down or converted to equity under the mandatory write-down tool (unless the mandatory write-down tool were to be used alongside a bail-in).

Furthermore, in circumstances where capital instruments are converted into equity securities by application of the mandatory write-down tool, those equity securities may be subjected to the bail-in powers in resolution, resulting in their cancellation, significant dilution or transfer away from the investors therein.

In addition, the BRRD 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. As a result of changes to the PRA Rulebook made to implement the BRRD, the Issuer is now required to identify such 'critical functions' as part of its resolution and recovery planning. If used in respect of the Group, these ex ante powers could have a negative impact on the Group's business.

The exercise of the bail-in tool in respect of the Issuer or any other Group entity and the N&C Securities or any suggestion of any such exercise could materially adversely affect the rights of the holders of the N&C Securities, the price or value of their investment in the N&C Securities and/or the ability of the Issuer to satisfy its obligations under the N&C Securities and could lead to holders of the N&C Securities losing some or all of the value of their investment in such N&C Securities. In addition, even in circumstances where a claim for compensation is established under the "no creditor worse off" safeguard referred to above, which claim would be determined in accordance with an independent valuation performed after the resolution action has been taken, it is unlikely that such compensation would be equivalent to the full losses incurred by the holders of the N&C Securities in the resolution.

Investors would also be unlikely to recover any such compensation until considerably later than the contractual payment dates of the relevant N&C Security.

5.41 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 FSMA 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-authorised 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 (i.e. participant firms), including the Issuer and other members of the Group.

Following the default of a number of authorised financial services firms since 2008, the FSCS borrowed funds totalling approximately £18 billion from HM Treasury to meet the compensation costs for customers of those firms. It is expected that the substantial majority of the principal should be repaid from funds the FSCS levies from asset sales, surplus cash flow or other recoveries in relation to assets of the firms that defaulted. However, the FSCS estimates that the assets of these failed institutions are insufficient, and, to the extent that there remains a shortfall, the FSCS is recovering this shortfall by levying firms authorised by the PRA or the FCA in instalments. The first instalment was in scheme year 2013/14, and the Group made a first capital contribution in August 2013. The second instalment was in scheme year 2014/15, and the Group made a second capital contribution in August 2014. For the year ended 31 December 2016, the Group charged £34 million to the income statement in respect of the costs of the FSCS. For the year ended 31 December 2017, its contribution decreased and it charged £1 million to the income statement in respect of the costs of the FSCS.

The FSCS also has the power to impose "management expenses in respect of relevant schemes levy" ("MERS levy") in relation to its potential role as agent of other compensation schemes. The FSCS may impose a MERS levy on participant firms to meet expenses it incurs in its role as agent.

In the event that the FSCS raises further funds from participant firms or increases the levies to be paid by such firms or the frequency at which the levies are to be paid, the associated cost to the Group may have a material adverse effect on the Group's operating results, financial condition and prospects. Since 2008, measures taken to protect the depositors of deposit-taking institutions involving the FSCS, such as the borrowing from HM Treasury mentioned above, 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, following amendments to the preferred credit status of depositors that came into force on 31 December 2014, the FSCS stands in the place of depositors of a failing institution and has preferred status over an institution's other creditors.

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, in July 2013, the Council announced its intention that revisions to the EU Deposit Guarantee Scheme Directive should be adopted by the end of 2013. The recast EU Deposit Guarantee Scheme Directive (the "DGSD"), which was published in the Official Journal on 12 June 2014 and entered into force on 2 July 2014, introduced a tighter definition of deposits and includes 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. These revisions are likely to affect the methodology employed by the FSCS for determining levies on institutions. In addition, the DGSD also required EU Member States to ensure that by 3 July 2014 the available financial means of deposit guarantee schemes reach a minimum target level of 0.8 per cent. of the covered deposits of their members and requires deposit guarantee schemes to be ex-ante funded. Between April and July 2015, the PRA published its final rules implementing the DGSD, most of which took effect on 3 July 2015. The final rules enable the FSCS to use the existing bank levy to meet the ex-ante funding requirements in the DGSD. Changes as a result of this may affect the profitability of members of the Group required to contribute to the FSCS.

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 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. Recent amendments to the FSCS rules, the majority of which came into effect on 1 April 2018, do not affect the FSCS funding arrangements in a material way.

5.42 **The Group may fail to detect or prevent money laundering and other financial crime activities due to not correctly identifying the Group's financial crime risks and failing to implement effective controls to mitigate those risks. This could expose the Group to heavy fines, additional regulatory scrutiny, increased liability and reputational risk**

The Group may fail to detect or prevent money laundering and other financial crime activities due to not correctly identifying the Group's financial crime risks and failing to implement effective controls to mitigate those risks. This could expose the Group to heavy fines, additional regulatory scrutiny, increased liability and reputational risk. The Group is obligated to comply with applicable AML, anti-bribery and corruption, anti-terrorism, sanctions and other laws and regulations in the jurisdictions in which the Group operates. These laws and regulations require the Group, among other things, to conduct full customer due diligence in respect of sanctions and politically-exposed person screening, keep the Group's customer, account and transaction information up to date and implement effective financial crime policies and procedures detailing what is required from those responsible. The Group's requirements also include financial crime training for the Group's staff, reporting suspicious transactions and activity to appropriate law enforcement following full investigation by the Suspicious Activity Reporting Unit.

Financial crime has become the subject of enhanced regulatory scrutiny and supervision by regulators globally. AML, anti-bribery and corruption and sanctions, laws and regulations are increasingly complex and detailed and have become the subject of enhanced regulatory supervision, requiring improved systems, sophisticated monitoring and skilled compliance personnel.

The Group has developed policies and procedures aimed at detecting and preventing the use of the Group's banking network for money laundering and financial crime related activities. These require the implementation and embedding within the business of effective controls and monitoring which requires on-going changes to systems and operational activities. Financial crime is continually evolving, and the expectation of regulators is increasing. This requires similarly proactive and adaptable responses from the Group so that the Group is able to deter threats and criminality effectively. Even known threats can never be fully eliminated, and there will be instances where the Group may be used by other parties to engage in money laundering and other illegal or improper activities. In addition, the Group relies heavily on the Group's staff to assist it by spotting such activities and reporting them, and the Group's staff have varying degrees of experience in recognising criminal tactics and understanding the level of sophistication of criminal organisations. Where the Group outsources any of its customer due diligence, customer screening or anti financial crime operations, the Group remains responsible and accountable for full compliance and any breaches. If the Group is unable to apply the necessary scrutiny and oversight there remains a risk of regulatory breach.

If the Group is unable to fully comply with applicable laws, regulations and expectations, the Group's regulators and relevant law enforcement agencies have the ability and authority to impose significant fines and other penalties on the Group, including requiring a complete review of the Group's business systems, day to day supervision by external consultants and ultimately the revocation of the Group's banking licence.

The reputational damage to the Group's business and global brand would be severe if the Group was found to have breached AML, anti-bribery and corruption or sanctions requirements. The Group's reputation could also suffer if the Group is unable to protect its customers or its business from being used by criminals for 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 AML procedures. Such measures, procedures and compliance may not be completely effective in preventing third parties from using the Group's (and its relevant counterparties') services as a conduit for money laundering (including illegal cash operations) without the Group's (or its relevant counterparties') knowledge. If the Group is associated with, or even accused

of being associated with, or become a party to, money laundering, then its reputation could suffer and/or the Group could become subject to fines, sanctions and/or legal enforcement (including being added to "black lists" that would prohibit certain parties from engaging in transactions with the Group), any one of which could have a material adverse effect on its operating results, financial condition and prospects. Any such risks could have a material adverse effect on the Group's operating results, financial condition and prospects.

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

The tax and other assessment regimes to which the Group's customers and the Group is 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 the Group's non-performing credit portfolio.

The following paragraphs discuss three major reforms (Bank Levy, Restriction of Tax Deductions for Compensation Payments and Corporation Tax Surcharge) which could have a material adverse effect on the Group's operating results, financial condition and prospects, and the competitive position of UK banking groups, including the Group.

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. With effect from 1 April 2015, the Finance Act 2015 increased the rate (for short-term liabilities) to 0.21 per cent. (a reduced rate is applied to long-term equity and liabilities). Subsequently the Finance (No.2) Act 2015 ("**Finance (No.2) Act**"), which was enacted on 18 November 2015, reduced that rate from 0.21 per cent. to 0.18 per cent. from 1 January 2016 with subsequent annual reductions to 0.1 per cent. from 1 January 2021.

Restriction of Tax Deductions for Compensation Payments

The Finance (No.2) Act implemented measures that have led to, for expenditure arising on or after 8 July 2015 by banking companies, (i) certain compensation payments no longer being deductible for corporation tax purposes and (ii) a deemed taxable receipt equivalent to 10 per cent. of the amount of those compensation payments.

Corporation Tax Surcharge

With effect from 1 January 2016, banking groups are subject to a surcharge at a rate of 8 per cent. on their taxable profits for corporation tax purposes (with certain reliefs added back and subject to an annual allowance).

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

The Issuer provides retirement benefits for many of the Group's former and current employees in the UK through a number of defined benefit pension schemes established under trust. The Issuer is the principal employer under these schemes, but it 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, the 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 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 schemes 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 and no suitable mitigating action is undertaken, 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 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 that 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.

Should the value of assets to liabilities in respect of the defined benefit schemes operated by the Issuer record a deficit, due to a reduction in the value of the pension fund assets (depending on the performance of financial markets) and/or an increase in the pension fund liabilities due to changes in legislation mortality assumptions, discount rate assumptions, inflation, the expected rate of return on scheme assets, or other factors, or there is a change in the actual or perceived strength of the employer's covenant, this could result in the Issuer 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 its 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 Issuer before changing the pension schemes' investment strategy, the trustees have the final say and ultimate responsibility for investment strategy rests with them. The Group's principal defined pension scheme is the Santander (UK) Group Pension Scheme and its corporate trustee is Santander (UK) Group Pension Scheme Trustee Limited (the "**Pension Scheme Trustee**"), a wholly-owned subsidiary of the Issuer. As at 31 December 2017, the Pension Scheme Trustee had 13 directors, comprising six directors appointed by the Issuer and seven member-elected directors. Investment decisions are delegated by the Pension Scheme Trustee to a common investment fund, managed by Santander (CF) Trustee Limited, a private limited company owned by the Santander (CF) Trustee directors, with up to four appointed by the Issuer and up to three by the Pension Scheme Trustee. The Pension Scheme Trustee directors' principal duty, within the investment powers delegated to them, is to act in the best interest of the members of the Group Pension Scheme and not that of the Issuer. Any increase in the Group's pension liabilities and obligations could have a material adverse effect on the Group's 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 Issuer to make changes to its structure and business which could have an impact on its pension schemes or liabilities. For a discussion of the ICB's recommendations, see the risk factor entitled "*The Group is subject to substantial regulation and governmental oversight which could adversely affect the Group's business and operations*".

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

Maintaining a positive reputation is critical to the Group attracting and maintaining customers, investors and employees and conducting business transactions with counterparties. Damage to the reputation of the Group or Banco Santander (as the majority shareholder in the Group), the reputation of affiliates operating under the "Santander" brand or any of the Group's other brands could therefore cause significant harm to the Group's business and prospects. Harm to the Group's reputation can arise directly or indirectly 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 adopting 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 has caused public perception of the Group and others in the financial services industry to decline.

The Group could suffer significant reputational harm if the Group fails to identify and manage potential conflicts of interest properly. 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 the Group. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to the Group.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the Group's results and financial condition, based upon materiality and significant judgements and estimates, include impairment of loans and advances, valuation of financial instruments, 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 judgement, estimates and assumptions the Group uses in preparing the Group's consolidated financial statements are subsequently found to be incorrect, there could be a material effect on the Group's results of operations and a corresponding effect on the Group's funding requirements and capital ratios.

5.47 **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 provide reasonable assurance that information required to be disclosed by the Group entities, such as the Issuer and ANTS, in reports filed or submitted under the United States 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 U.S. Securities and Exchange Commission's rules and forms. The Group adopted the Committee of Sponsoring Organisations of the Treadway Commission internal control – integrated framework with effect from 15 December 2014, replacing the previous framework. The revised framework is designed to recognise the many changes in business and operating environments since the issuance of the original framework and is intended to broaden and enhance the application of controls over financial reporting.

There are however 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 business is 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. It is not always possible to deter employee misconduct and the

precautions the Group takes 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.

5.48 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 the Group's 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.

5.49 The Group relies on third parties for important infrastructure support, products and services

Third party providers and certain affiliates provide key components of the Group's business infrastructure such as loan and deposit servicing systems, back office and business process support, information technology production and support, internet connections and network access. Relying on these third party providers and affiliates is a source of operational and regulatory risk to the Group, including with respect to security breaches affecting such parties. The Group is also subject to risk with respect to security breaches affecting its third party providers and affiliates, and other parties that interact with these parties. As the Group's interconnectivity with these third parties and affiliates increases, it increasingly faces the risk of operational failure with respect to the Group's systems. The Group may be required to take steps to protect the integrity of its operational systems, thereby increasing its operational costs and potentially decreasing customer satisfaction. In addition, any problems caused by these third parties or affiliates, including as a result of them not providing their services for any reason, or performing their services poorly, could adversely affect the Group's ability to deliver products and services to customers and otherwise conduct its business, which could lead to reputational damage and regulatory investigations and intervention. Replacing these third party vendors or affiliates could also entail significant delays and expense. Further, the operational and regulatory risk that the Group face as a result of these arrangements may be increased to the extent that it restructures such arrangements. Any restructuring could involve significant expense to the Group and entail significant delivery and execution risk which could have a material adverse effect on the Group's business, operations and financial condition.

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

The Group and the Group's subsidiaries and affiliates have entered into a number of services agreements pursuant to which the Group 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) provided by certain other members of the Banco Santander Group.

English law applicable to public companies and financial groups and institutions, as well as the articles of association of entities in the Group, provide for several procedures designed to ensure that the transactions entered into, with or among the Group's financial subsidiaries, do not deviate from prevailing market conditions for those types of transactions, including the requirement that the Group's board of directors approve such transactions. The Group is likely to continue to engage in transactions with the Group's subsidiaries or affiliates (including the Group's controlling shareholder). Future conflicts of interest 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.

5.51 Different disclosure and accounting principles between the UK and the U.S. may provide different or less information about the Issuer than expected

There may be less publicly available information about the Issuer than is regularly published about companies in the U.S. 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 a relatively more developed capital market, including the U.S. While the Issuer's subsidiary, ANTS, and the Issuer are subject to the periodic reporting requirements of the

Exchange Act, the Group is not subject to the same disclosure requirements in the U.S. as a domestic U.S. registrant under the Exchange Act, including the requirements to prepare and issue quarterly reports, or the proxy rules applicable to domestic U.S. 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 Issuer available will not be the same as the information available to holders of securities of a U.S. company and may be reported in a manner that is not familiar.

5.52 **Risks concerning enforcement of judgments made in the U.S.**

The Issuer is a public limited company registered in England and Wales. All of the Issuer's directors live outside the U.S. As a result, it may not be possible to serve process on such persons in the U.S. or to enforce judgments obtained in U.S. courts against them or the Issuer based on the civil liability provisions of the U.S. federal securities laws or other laws of the U.S. or any state thereof.

DESCRIPTION OF THE ISSUER

SANTANDER UK PLC

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 plc 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 Information Memorandum, Santander UK plc is a wholly owned subsidiary of Santander UK Group Holdings plc, which is a subsidiary of Banco Santander, S.A. Banco Santander, S.A. and its subsidiary Santusa Holding, S.L. together hold the entire issued share capital of Santander UK Group Holdings plc. Banco Santander, S.A. has securities admitted to trading on the Bolsa de Madrid (Madrid Stock Exchange), which is the regulated market in Spain.

Corporate Purpose

The Group's corporate purpose is to help people and businesses prosper.

Business and Support Divisions

Santander UK, headed by Nathan Bostock, Chief Executive Officer, operates four business divisions as follows:

Retail Banking

Retail Banking offers a wide range of products and financial services to individuals and small businesses through a network of branches and ATMs, as well as through telephone, digital, mobile and intermediary channels. Retail Banking includes business banking customers, small businesses with with an annual turnover of up to £6.5 million and Santander Consumer Finance, predominately a vehicle finance business.

Commercial Banking

Commercial Banking offers a wide range of products and financial services provided by relationship teams that are based in a network of regional Corporate Business Centres ("CBCs") and through telephony and digital channels. The management of Santander UK's customers is organised across two relationship teams – the Regional Corporate Bank ("RCB") that covers non-property backed trading businesses that are UK domiciled with annual turnover above £6.5 million and Specialist Sector Groups ("SSGs") that cover real estate, social housing finance, education, healthcare, and hotels.

Corporate & Investment Banking

Corporate & Investment Banking (formerly Global Corporate Banking) services corporate clients with a turnover of £500 million and above per annum and financial institutions. Corporate & Investment Banking clients require specially tailored solutions and value-added services due to their size, complexity and sophistication. Corporate & Investment Banking provides these clients with products to manage currency fluctuations, protect against interest rate risk, and arrange capital markets finance and specialist trade finance solutions as well as providing support to the rest of the Group's business.

Corporate Centre

Corporate Centre predominately consists of the non-core corporate and treasury legacy portfolios. Corporate Centre is also responsible for managing capital and funding, balance sheet composition structure, and strategic liquidity risk. The non-core corporate and treasury legacy portfolios are being run-down and/or managed for value.

Directors of Santander UK plc

The following table sets forth the directors of Santander UK plc:

Description of the Issuer

Position	Name	Other principal activities
Chairman	Baroness Shriti Vadera	Chair of Santander UK Group Holdings plc Senior Independent Director of BHP Billiton plc Non-Executive Director of AstraZeneca plc Chair European Financial Services Chairmen's Advisory Committee Member of the International Advisory Council of Asia House Member of the International Chamber of Commerce G20 Member of Global Leadership Council of Saïd Business School Director of Dawfree Limited
Deputy Chairman and Banco Santander nominated Non-Executive Director	Juan Rodríguez Inciarte	Non-Executive Director of Santander UK Group Holdings plc Director of Santander Consumer Finance SA Director of Vista Capital de Expansion SA Chairman of Saarema Inversiones SA Director of SAM Investment Holdings Limited Honorary Chairman of the US-Spain Council Trustee of Carlos V International Centre of the Autonomous University of Madrid Director of Compañía Logística de Hidrocarburos CLH S.A. Director of Vista Capital de Expansion S.A. SGEGR
Executive Director and Chief Executive Officer	Nathan Bostock	Chief Executive Officer of Santander UK Group Holdings plc Member of the PRA Practitioner Panel Member of the Financial Services Trade and Investment Board (FSTIB)
Executive Director and Chief Financial Officer	Antonio Roman	Member of Financial and Risk Policy Committee of the British Bankers' Association (BBA)
Executive Director	Javier San Felix	Sole Administrator of AKUNA Inversiones 2020 SL
Independent Non-Executive Director	Alain Dromer	Independent Non-Executive Director of Santander UK Group Holdings plc Non-Executive Director of Majid Al Futtaim Trust LLC Non-Executive Director of Henderson European Focus Trust plc Director of Alain Dromer Advisory SPRL
Independent Non-Executive Director	Annemarie Durbin	Independent Non-Executive Director of Santander UK Group Holdings plc Non-Executive Director of WH Smith PLC Chair of the UK Listing Advisory Panel
Independent Non-Executive Director	Ed Giera	Independent Non-Executive Director of Santander UK Group Holdings plc Non-Executive Director of ICBC Standard Bank Plc Non-Executive Director of Renshaw Bay GP1 Limited Non-Executive Director of Pension Insurance Corporation Group Limited Director of RB REFF (Lux) Holding Sàrl Director of RB REFF (Lux) Investments Sàrl

Description of the Issuer

		Partner of St James's Place LP
Independent Non-Executive Director	Chris Jones	Independent Non-Executive Director of Santander UK Group Holdings plc Non-Executive Director of Redburn (Europe) Ltd Chairman of the Advisory Board of the Association of Corporate Treasurers Investment Trustee of the Civil Service Benevolent Fund Audit Committee member of the Wellcome Trust Member of Advisory Board to Financial Services Faculty of ICAEW
Independent Non-Executive Director	Genevieve Shore	Independent Non-Executive of Director Santander UK Group Holdings plc Non-Executive Director of Moneysupermarket.com Group plc Non-Executive Director Next Fifteen Communications Group plc Founder of Skelbo Global Ventures Independent Non-Executive Director of Rugby Football Union
Independent Non-Executive Director	Scott Wheway	Independent Non-Executive Director of Santander UK Group Holdings plc Non-Executive Director of Centrica plc Chairman of AXA UK plc Chairman of AXA Equity & Law plc
Banco Santander nominated Non-Executive Director	Ana Botín	Non-Executive Director of Santander UK Group Holdings plc Executive Chair of Banco Santander SA Non-Executive Director of The Coca-Cola Company Founder and Vice-Chair the Empresa y Crecimiento Foundation Member of the MIT's CEO Advisory Board Vice-Chair of the World Business Council for Sustainable Development Member of the European Financial Services Round Table (EFR) Board member of the Institute of International Finance Chair of Portal Universaria SA and Universaria Holding SL Trustee of Fundación Botín Trustee of Fundación Euroamerica Chair of Fundación Conocimiento y Desarrollo Chair of Fundación Empieza por Educar Trustee of Fundación Albéniz
Banco Santander nominated Non-Executive Director	Gerry Byrne	Director of Santander UK Group Holdings plc Supervisory Board Chairman of Bank Zachodni WBK S.A.
Banco Santander nominated Non-Executive Director	Lindsey Argalas	Non-Executive Director of Santander UK Group Holdings plc Director of Santander Fintech Limited
Independent Non-Executive Director	Julie Chakraverty	Director of Santander UK Group Holdings plc Director of The Girl's Day School Trust

Director of Rungway Limited

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 Issuer of the persons listed under "Directors of Santander UK plc" above and their private interests and/or other duties.

Credit Ratings

The long-term debt of the Issuer has been rated A by S&P, Aa3 by Moody's and A by Fitch and the short-term debt of the Issuer has been rated A-1 by S&P, P-1 by Moody's and F1 by Fitch.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Information Memorandum and have been filed with Euronext Dublin, shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

1. the unaudited condensed consolidated interim financial statements of the Issuer for the half year ended 30 June 2018, which appear on pages 41 to 65 (inclusive) (the "**2018 Unaudited Interim Financial Statements**") of the Issuer's Half Yearly Report and Accounts for the half year ended 30 June 2018 (available at:
2. (i) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2017, which appear on pages 136 to 226 (inclusive) (the "**2017 Audited Financial Statements**") and (ii) the Risk Review appearing on pages 57 to 135 (inclusive), with the exception of any section which is marked as unaudited; in each case, of the Issuer's Annual Report and Accounts for the year ended 31 December 2017 (available at:
3. (i) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2016, which appear on pages 166 to 267 (inclusive) (the "**2016 Audited Financial Statements**") and (ii) the Risk Review appearing on pages 32 to 128 (inclusive), with the exception of any section which is marked as unaudited; in each case, of the Issuer's Annual Report and Accounts for the year ended 31 December 2016 (available at: [and](https://www.santander.co.uk/csdlv/r/BlobServer?blobtable=MungoBlobs&blobkey=id&blobcol=urldataa&blobheader=application%2Fpdf&blobheadervalue1=inline%3Bfilename%3DSantander+UK+plc+2016+Annual+Report.pdf&blobwhere=1314023289728&blobheadername1=Content-Disposition)
4. the glossary relating to the 2018 Unaudited Interim Financial Statements, the 2017 Audited Financial Statements and the 2016 Audited Financial Statements (available at:

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 Information Memorandum to the extent that a statement contained in this Information Memorandum 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 Information Memorandum.

Specific information incorporated by reference in the documents listed at (1) to (3) above is available as follows:

SANTANDER UK PLC	
Half Yearly Report and Accounts for the half year ended 30 June 2018	
Consolidated Income Statement	Page 43
Consolidated Balance Sheet	Page 45
Independent review report to the Issuer	Page 42
Notes to the financial statements	Pages 48-65
Annual Report and Accounts for the year ended 31 December 2017	

Documents Incorporated by Reference

Consolidated Income Statement	Page 144
Consolidated Balance Sheet	Page 145
Auditors' Report	Pages 137-143
Notes to the financial statements	Pages 151-226
Annual Report and Accounts for the year ended 31 December 2016	
Consolidated Income Statement	Page 173
Consolidated Balance Sheet	Page 174
Auditors' Report	Pages 167-172
Notes to the financial statements	Pages 180-267

In addition to the above, the following terms and conditions shall be incorporated by reference in, and form part of, this Information Memorandum:

5. the Terms and Conditions set out on pages 59 to 168 (inclusive) of the Base Prospectus dated 28 March 2007 relating to the Issuer's Structured Note Programme (available at: http://www.santander.co.uk/csdlv/r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLite%2F%2FSANDocument_C%2F%2FSANDocumentPreview&cid=1324566062101);
6. the Conditions set out on pages 149 to 280 (inclusive) of the Base Prospectus dated 26 March 2008 relating to the Issuer's Structured Note Programme (available at: http://www.santander.co.uk/csdlv/r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLite%2F%2FSANDocument_C%2F%2FSANDocumentPreview&cid=1324566114118);
7. the Conditions set out on pages 147 to 297 (inclusive) of the Base Prospectus dated 26 March 2009 relating to the Issuer's Structured Note Programme (available at: http://www.santander.co.uk/csdlv/r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLite%2F%2FSANDocument_C%2F%2FSANDocumentPreview&cid=1324566441374);
8. the Conditions set out on pages 155 to 315 (inclusive) of the Base Prospectus dated 14 April 2010 relating to the Issuer's Structured Note Programme (available at: http://www.santander.co.uk/csdlv/r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLite%2F%2FSANDocument_C%2F%2FSANDocumentPreview&cid=1324566093502);
9. the Conditions set out on pages 109 to 292 (inclusive) of the Prospectus dated 12 April 2011 relating to the Issuer's Structured Note Programme (available at: http://www.santander.co.uk/csdlv/r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLite%2F%2FSANDocument_C%2F%2FSANDocumentPreview&cid=1324566112280);
10. the Conditions set out on pages 82 to 299 (inclusive) of the Prospectus dated 5 April 2012 relating to the Issuer's Note, Certificate and Warrant Programme (available at: http://www.santander.co.uk/csdlv/r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLite%2F%2FSANDocument_C%2F%2FSANDocumentPreview&cid=1324566112614);
11. the Conditions set out on pages 99 to 337 (inclusive) of the Information Memorandum dated 5 April 2013 relating to the Issuer's Global Structured Solutions Programme (available at: http://www.santander.co.uk/csdlv/r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLite%2F%2FSANDocument_C%2F%2FSANDocumentPreview&cid=1324566121489); and
12. the Conditions set out on pages 102 to 336 (inclusive) of the Information Memorandum dated 3 April 2014 relating to the Issuer's Global Structured Solutions Programme (available at: http://www.santander.co.uk/csdlv/r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLite%2F%2FSANDocument_C%2F%2FSANDocumentPreview&cid=1324569535915);

13. the Conditions set out on pages 107 to 347 (inclusive) of the Information Memorandum dated 31 March 2015 relating to the Issuer's Global Structured Solutions Programme (available at http://www.santander.co.uk/csdlv1r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLite%2FSANDocument_C%2FSANDocumentPreview&cid=1324581325632);
14. the Conditions set out on pages 110 to 343 (inclusive) of the Information Memorandum dated 31 March 2016 relating to the Issuer's Global Structured Solutions Programme (available at http://www.santander.co.uk/csdlv1r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLite%2FSANDocument_C%2FSANDocumentPreview&cid=1324582297516);
15. the Conditions set out on pages 110 to 343 (inclusive) of the Information Memorandum dated 3 April 2017 relating to the Issuer's Global Structured Solutions Programme (available at http://www.santander.co.uk/csdlv1r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLite%2FSANDocument_C%2FSANDocumentPreview&cid=1324583088103); and
16. the Conditions set out on pages 105 to 338 (inclusive) of the Information Memorandum dated 9 August 2017 relating to the Issuer's Global Structured Solutions Programme (available at <https://www.santander.co.uk/csdlv1r/BlobServer?blobtable=MungoBlobs&blobkey=id&blobcol=urldata&blobheader=application%2Fpdf&blobheadervalue1=inline%3Bfilename%3D2017+Santander+GSS+Information+Memorandum+%28Final+Version%29.pdf&blobwhere=1314024107893&blobheadername1=Content-Disposition>).

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 Information Memorandum 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 Information Memorandum to the extent that it is contained in a document, all or the relevant part of which is incorporated by reference by way of a supplement prepared in accordance with the requirements of Euronext Dublin in the case of N&C Securities to be admitted to trading on the Global Exchange Market. Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Information Memorandum.

Copies of the source documents, from which the information listed at (1) to (16) above has been incorporated by reference in this Information Memorandum, are available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Issuer and at the specified offices of the Paying Agents.

Copies of the documents incorporated by reference in this Information Memorandum, listed at (5) to (10) above are available at: <https://www.santander.co.uk/uk/about-santander-uk/investor-relations/abbey-notes-certificates-and-warrants-programme>.

Copies of the documents incorporated by reference in this Information Memorandum, listed at (11) to (16) above are available at: <https://www.santander.co.uk/uk/about-santander-uk/investor-relations/santander-uk-global-structured-solutions-programme>.

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

In addition, the Issuer will, in the event that it becomes aware that: (1) there is a significant change affecting any matter contained in the Information Memorandum; or (2) a significant new matter arises, the inclusion of information in respect of which would have been so required if it had arisen at the time when the Information Memorandum was prepared, prepare a supplement to this Information Memorandum. Any such supplement will be published in accordance with the requirements of Euronext Dublin.

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 Information Memorandum and, in relation to the terms and conditions of any particular Tranche of N&C Securities, the applicable Pricing Supplement. The Issuer and any relevant Dealer may agree that N&C Securities may be issued in a form other than that contemplated in the Terms and Conditions, in which event, if appropriate, a new Information Memorandum or a supplement to this Information Memorandum will be published which will describe the effect of the agreement reached in relation to such N&C Securities.

Words and expressions defined in "Form of the N&C Securities" and the "Terms and Conditions of the N&C Securities" shall have the same meanings in this General Description.

Issuer

Subject to internal authorisation, Santander UK plc ("**Santander UK**" or the "**Issuer**") may from time to time issue notes ("**Notes**") and redeemable certificates ("**Certificates**" and, together with the Notes, the "**N&C Securities**") under the Programme.

Programme Authorisation

This Information Memorandum supersedes the information memorandum dated 9 August 2017 previously issued by the Issuer in respect of the Programme. The continuation of the Programme and the issue of N&C Securities had been duly confirmed and authorised by a resolution of the board of directors of the Issuer dated 21 April 2017 and a funding and programme approval and authorisation in respect of the Issuer given by two directors of the Issuer dated 24 July 2018.

Listing and Admission to Trading

N&C Securities may be:

- (a) admitted to the Official List of Euronext Dublin and to trading on the Global Exchange Market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purposes of MiFID II;
- (b) listed or admitted, as the case may be, on other or further stock exchange(s) or markets (other than in respect of an admission to trading on any market in the EEA which has been designated as a regulated market for the purposes of the Prospectus Directive or the Prospectus Regulation) as indicated in the applicable Pricing Supplement in relation to each Series; or
- (c) neither listed nor admitted to trading on any market.

The applicable Pricing Supplement will state whether or not the relevant N&C Securities are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Application has been made to Euronext Dublin for N&C Securities issued under the Programme to be admitted to the Official List of Euronext Dublin and to trading on Euronext Dublin's Global Exchange Market.

Types of N&C Securities

Subject to compliance with all relevant laws, regulations and directives, the N&C Securities that may be issued under the Programme may be N&C Securities where the interest payment, the redemption amount or amount to be paid on settlement is linked to:

- (a) an equity index or a basket of equity indices ("**Equity Index Linked N&C Securities**");
- (b) an inflation index or a basket of inflation indices ("**Inflation Index Linked N&C Securities**");
- (c) an interest rate ("**Interest Rate Linked N&C Securities**");
- (d) any combination of any of the above ("**Cross Asset Linked N&C Securities**"); or
- (e) any other underlying asset or reference.

Investors must review the relevant Pricing Supplement to ascertain how the performance of the Reference Item(s) will affect the amount(s) payable and/or deliverable on the N&C Securities.

Settlement

Settlement of the N&C Securities will be by way of cash payment.

Prospective investors must review the applicable Pricing Supplement to ascertain what the Reference Items are and the Conditions and the applicable Pricing Supplement to see how the Final Redemption Amount or Early Redemption Amount, as the case may be, and any periodic interest payments are determined and when such amounts are payable before making any decision to purchase any N&C Securities.

Distribution

N&C Securities may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis. For the avoidance of doubt, this Information Memorandum has not been approved as a base prospectus for the purposes of the Prospectus Directive or the Prospectus Regulation and, accordingly, no offer to the public may be made for the purposes of the Prospectus Directive or the Prospectus Regulation.

No offers, sales, resales or deliveries of any N&C Securities or distribution of any offering material relating to any N&C 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.

As a result of the restrictions set out in the section of this Information Memorandum entitled "*Subscription and Sale*" on pages 200-206, purchasers of N&C Securities are advised to consult legal or other expert advisors prior to making any purchase, offer, sale, resale or other transfer of such N&C Securities.

Form of N&C 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 to non-U.S. Persons in reliance on Regulation S 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. Permanently Restricted N&C Securities will be issued through Citibank, N.A., London Branch in its capacity as Book-Entry Depository (the "**Book-Entry Depository**") pursuant to an amended and restated N&C Securities Depository Agreement dated 16 August 2018 (the "**N&C Securities Depository Agreement**") outside the United States to non-U.S. Persons in reliance on Regulation S 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. Immobilised Bearer N&C Securities (other than Permanently Restricted N&C Securities) will be issued through the Book-Entry Depository pursuant to the N&C Securities Depository Agreement only outside the United States in offshore transactions to non-U.S. Persons in reliance on the exemption from registration provided by Regulation S, as described in "*Form of the N&C Securities*".

CREST Depository Interests

If CREST Depository Instruments are specified in the Pricing Supplement, investors may hold indirect interests in the N&C Securities (such N&C Securities being "**Underlying N&C 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, as amended) 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 & 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 CREST Global Deed Poll dated 25 June 2001 (as amended) (the "**CREST Deed Poll**") (in the form contained in Chapter 8 of the CREST International Manual (January 2018) (the "**CREST International Manual**" (which forms part of the document entitled the 'CREST Manual' issued by CREST (the "**CREST Manual**")).

CREST Depository Interests represent indirect interests in the Underlying N&C Securities to which they relate and holders of CREST Depository Interests will not be the legal owners of the Underlying N&C 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 N&C Securities (as distinct from the CREST Depository Interests representing indirect interests in such Underlying N&C Securities) will be held in an account with a custodian. The custodian will hold the Underlying N&C Securities through the relevant Clearance System. Rights in the Underlying N&C Securities will be held through custodial and depository links through the relevant Clearance System. The legal title to the Underlying N&C Securities or to interests in the Underlying N&C Securities will depend on the rules of the relevant Clearance System in or through which the Underlying N&C 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 N&C Securities and the direct enforcement right in respect of the Underlying N&C 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 N&C Securities in the event of any insolvency or liquidation of any relevant intermediary, in particular where the Underlying N&C 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 SA/NV and/or Clearstream Banking S.A., or any other clearing system specified in the Pricing Supplement in respect of the relevant N&C Securities in which the Underlying N&C 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 N&C Securities and any non-contractual obligations arising out of or in connection with the N&C 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 N&C Securities will complete and supplement the Conditions in relation to each 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 Pricing Supplement, (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global N&C Security and definitive N&C Security. Reference should be made to the "Applicable Pricing Supplement" for a description of the content of the applicable Pricing Supplement which will specify which of such terms are to apply in relation to the relevant N&C Securities. References in these Conditions to the "**applicable Pricing Supplement**" shall mean a pricing supplement prepared in respect of a tranche of N&C Securities issued pursuant to these Conditions.

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 Santander UK plc (the "**Issuer**", which expression shall include any substitute pursuant to N&C Security Condition 14 (*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 Pricing Supplement, 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)):
 - (a) 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 Pricing Supplement; and
 - (b) 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 depository interests (in the case of Immobilised Bearer Global N&C Securities, such certificated depository interests, "**CDIs**" (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 16 August 2018 (such agency agreement as amended and/or supplemented and/or further restated from time to time, the "**Agency Agreement**") made between the Issuer and Citibank, N.A., London Branch as issuing and principal paying agent (the "**Principal Paying Agent**", which expression shall include any additional or successor agent acting in such capacities) and transfer agent, Citigroup Global Markets Europe AG as registrar (the "**Registrar**", which expression shall include any additional or successor registrar), Citibank Europe plc as transfer agent (together with the Principal Paying Agent in its capacity as a transfer agent, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents) and the other paying agents named therein (together with the Principal Paying

Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents). The Principal Paying Agent, the Registrar, the Paying Agents, the Transfer Agents 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 Pricing Supplement or any successor in such capacity.

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 (including 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.

The Pricing Supplement for this N&C Security (or the relevant provisions thereof) is set out in Part A of the Pricing Supplement attached to or endorsed on this N&C Security which supplements 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 Pricing Supplement) and 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. References to the "**applicable Pricing Supplement**" are, unless otherwise stated, to Part A of the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this N&C Security and provisions relating to types of Variable Interest Rate N&C Securities and Variable Redemption N&C Securities for which no Annex exists shall be set out, if required, in the applicable Pricing Supplement.

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 (i) are expressed to be consolidated and form a single series and (ii) have the same terms and conditions or terms and conditions which are the same in all respects save for the issue price and date of issue thereof, the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The N&C Securityholders, the Receiptholders and the Couponholders are entitled to the benefit of an amended and restated deed of covenant dated 16 August 2018 (such deed of covenant as modified, supplemented and/or further restated from time to time, the "**Deed of Covenant**") and made by the Issuer. The original of the Deed of Covenant is held by the common depository for Euroclear and Clearstream, Luxembourg (each as defined herein).

Copies of the Agency Agreement (which contains the form of the Deed of Covenant) are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Pricing Supplement are available for viewing during normal business hours at the specified office of each of the Paying Agents and copies may be obtained from those offices in each case only by a holder holding one or more N&C Securities provided that 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 Deed of Covenant and the applicable Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement, the applicable Pricing Supplement shall prevail. In the case of any inconsistency between

any Annex(es) specified as applicable herein and/or in the applicable Pricing Supplement 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 Pricing Supplement and the Conditions, the applicable Pricing Supplement 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 Pricing Supplement or (if so indicated in the applicable Pricing Supplement) 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 Pricing Supplement, 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 Pricing Supplement, 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 Pricing Supplement, 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 S.A. ("**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 depository (the "**Common Depository**") for, Euroclear and Clearstream, Luxembourg.

The N&C Securities issued as bearer securities in immobilised form ("**Immobilised Bearer N&C Securities**") of each Tranche offered and sold in reliance on Regulation S under the U.S. Securities Act of 1933, as amended, ("**Regulation S**"), which will be sold in offshore transactions to non-U.S. Persons outside the United States to persons who are not U.S. Persons (as defined herein), will initially be represented by a global security in bearer form (a "**Regulation S Global N&C Security**").

Interests in 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**" and, together with the Regulation S Global N&C Securities, the "**Immobilised Bearer Global N&C Securities**").

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 N&C 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 Depository Agreement dated 16 August 2018 (such agreement as amended and/or supplemented and/or further restated from time to time, the "**N&C Securities Depository Agreement**") among the Issuer, Citibank N.A., London Branch (the "**Book-Entry Depository**"), Citibank N.A., London Branch (the "**Custodian**") and Citigroup Global Markets Europe AG (the "**Registrar**"), the Immobilised Bearer Global N&C Securities of each Series will on issue be deposited with the Book-Entry Depository. Pursuant to the terms of the N&C Securities Depository Agreement, the Book-Entry Depository 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 Depository shall have only those rights, discretions, duties, obligations and responsibilities expressly specified in the N&C Securities Depository 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 Depository may not extinguish, cancel or otherwise terminate this arrangement other than pursuant to the terms of the N&C Securities Depository 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 Depository Agreement.

1.2 **Interest and Redemption**

An N&C Security may be designated in the applicable Pricing Supplement as either (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, or (vi) any one of an Equity Index Linked Interest N&C Security, an Inflation Index Linked Interest N&C Security or a Partial Redemption N&C Security (such N&C Securities specified in this sub-paragraph (vi), collectively, "**Variable Interest Rate N&C Securities**") 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.

An 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, or (iv) any one of an Equity Index Linked Redemption N&C Security, an Inflation Index Linked Redemption N&C Security, an Interest Rate Linked N&C Security or a Partial Redemption N&C Security (such N&C Securities specified in this sub-paragraph (iv), collectively, "**Variable Redemption N&C Securities**") 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, 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.

1.4 **Title to Definitive Bearer and Definitive Registered N&C 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 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 N&C 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 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 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 Pricing Supplement or otherwise approved by the Issuer, the Registrar and the Paying Agents (each a "**Clearance System**").

1.6 **Title to N&C 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 ("**Immobilised Bearer N&C Securities**" or "**Permanently Restricted Immobilised Bearer N&C Securities**", as the case may be) which are deposited with the Book-Entry Depository, the Book-Entry Depository will issue registered certificated depository interests ("**European CDIs**" or "**Permanently Restricted CDIs**", as the case may be, and together, "**CDIs**") to a common depository 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 depository. Ownership of interests in the Immobilised Bearer Global N&C Securities or the Permanently Restricted Immobilised Bearer N&C Securities deposited with the Book-Entry Depository (the "**European Book-Entry Interests**" or the "**Permanently Restricted Book-Entry Interests**", respectively, and together, "**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. European 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 Pricing Supplement 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 Depository Agreement, the Immobilised Bearer Global N&C Securities may be transferred only to a successor to the relevant Book-Entry Depository.

Unless and until Book-Entry Interests are exchanged for Definitive Registered N&C Securities, the CDIs held by the common depository 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.

Subject to the foregoing, a Book-Entry Interest (other than a Permanently Restricted Book-Entry Interest) in one of the Immobilised Bearer Global N&C Securities (other than a Permanently Restricted Global N&C Security) may be transferred to a person who takes delivery thereof in the form of a Book-Entry Interest (other than a Permanently Restricted Book-Entry Interest) in another of the Immobilised Bearer Global N&C Securities (other than a Permanently Restricted Global N&C Security) by means of an instruction originated through Euroclear or Clearstream, Luxembourg, as applicable. Any Book-Entry Interest that is so transferred will, upon transfer, cease to be a Book-Entry Interest in the first-

mentioned Immobilised Bearer Global N&C Security and become a Book-Entry Interest in the other Immobilised Bearer Global N&C Security and will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Immobilised Bearer Global N&C Security for as long as it remains such a Book-Entry Interest. In connection with such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount at maturity or number of units of the first-mentioned Immobilised Bearer Global N&C Security and a corresponding increase in the principal amount at maturity or number of units of the other Immobilised Bearer Global N&C Security, as applicable.

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*), 2.5 (*Transfers of interests in European Book-Entry Interests and in Permanently Restricted Book-Entry Interests*) and 2.6 (*Transfers of interests in Legended N&C Securities*) 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 Pricing Supplement. 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 6 (*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 European Book-Entry Interests and in Permanently Restricted Book-Entry Interests

Prior to expiry of the period ending 40 days after the completion of the distribution of each Tranche of N&C Securities in respect of which a European Book-Entry Interest has been issued, as certified by the relevant Dealer (the "**Distribution Compliance Period**"), transfers by the holder of a European Book-Entry Interest or of a beneficial interest in a European Book-Entry Interest to a transferee in the United States or who is a U.S. Person will only be made pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in accordance with (1) any applicable securities laws of any state of the United States or any other jurisdiction and (2) any applicable restriction on transfer imposed by the CEA or any regulations thereunder as indicated and set out in the applicable Pricing Supplement.

Transfers of a Permanently Restricted Book-Entry Interests or of a beneficial interest in a Permanently Restricted 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 Transfers of interests in Legended N&C Securities

Transfers of Legended N&C Securities or beneficial interests therein may be made:

- (a) prior to the expiry of the applicable Distribution Compliance Period only upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made to a transferee that is a non-U.S. Person taking delivery of such interest through a European Book-Entry Interest in an offshore transaction outside the United States pursuant to Regulation S; or
- (b) after the expiry of the applicable Distribution Compliance Period, to a transferee that is a non-U.S. Person taking delivery of such interest through a European Book-Entry Interest in an offshore transaction outside the United States pursuant to Regulation S; or
- (c) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with (1) any applicable securities laws of any state of the United States or any other jurisdiction and (2) any applicable restriction on transfer imposed by the CEA, or any regulations thereunder as indicated and set out in the applicable Pricing Supplement.

Upon the transfer, exchange or replacement of Legended N&C Securities, or upon specific request for removal of the Legended N&C Securities, the Registrar shall deliver only Legended N&C Securities or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to

ensure compliance with the provisions of the Securities Act or the United States Commodity Exchange Act of 1936, as amended (the "CEA").

2.7 Definitions

In these Conditions and unless otherwise expressed to the contrary, the following expressions shall have the following meanings:

"**Legended N&C Security**" means N&C Securities which bear a legend specifying certain restrictions on transfer (a "**Legend**").

"**U.S. Person**" means any person who is (i) in respect of each N&C Security that is an Immobilised Bearer Global N&C Security (other than a Permanently Restricted Global N&C Security), a "U.S. person" as defined in Regulation S, or (ii) in respect of each N&C Security that is a Bearer Global N&C Security or a Permanently Restricted Global N&C Security, a "U.S. person" as defined in Regulation S, the Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations promulgated by the Commodity Futures Trading Commission (the "**CFTC**") pursuant to the CEA or a person other than a "Non-United States person" as defined in CFTC Rule 4.7 (each such person, a "**U.S. Person**").

"**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. INTEREST

4.1 Interest Definitions

In these N&C Security Conditions:

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this N&C Security Condition 4:

- (a) if "**Actual/Actual (ICMA)**" or "**Act/Act (ICMA)**" is specified in the applicable Pricing Supplement:
 - (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 Pricing Supplement) 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 Pricing Supplement) 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 Pricing Supplement, 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 Pricing Supplement, the actual number of days in the relevant Interest Period, divided by 365;
- (d) if "**Actual/365 (Sterling)**" is specified in the applicable Pricing Supplement, 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 Pricing Supplement, the actual number of days in the relevant Interest Period, divided by 360;
- (f) if "**30/360 (ICMA)**" is specified in the applicable Pricing Supplement, 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 Pricing Supplement, 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:

"**Y₁**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

"**D₂**" 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 D₁ is greater than 29, in which case D₂ will be 30;

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

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

Where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" 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 D₂ will be 30;

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

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

Where:

"Y₁" is the year, expressed as a number, in which the first day included in the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"D₁" 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 D₁ will be 30; and

"D₂" 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 D₂ 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).

4.2 Interest on Fixed Rate N&C Securities

- (a) If no Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, 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 Pricing Supplement 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 Pricing Supplement 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 4.7 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 Pricing Supplement, 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 5 (*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 Pricing Supplement, 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 Pricing Supplement, amount to the Broken Amount so specified.

4.3 **Interest on Floating Rate N&C Securities and Variable Interest Rate N&C Securities**

(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 Pricing Supplement; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, 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 Pricing Supplement 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 Pricing Supplement 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 4.7 below), then, if the Business Day Convention specified is:

- (i) in any case where Specified Periods are specified in accordance with N&C Security Condition 4.3(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
- (ii) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (iii) 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
- (iv) 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 and Variable Interest Rate N&C Securities will be determined in the manner specified in the applicable Pricing Supplement.

(i) ***ISDA Determination for Floating Rate N&C Securities***

Where ISDA Determination is specified in the applicable Pricing Supplement 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 Pricing Supplement) 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 Pricing Supplement, 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 (as defined below) and under which:

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (B) the Designated Maturity is that period specified in the applicable Pricing Supplement; and
- (C) the relevant Reset Date is the day as specified in the applicable Pricing Supplement.

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 Pricing Supplement as the manner in which the Rate of Interest is to be determined, unless otherwise stated in the applicable Pricing Supplement, the Minimum Rate of Interest shall be deemed to be zero.

(ii) *Screen Rate Determination for Floating Rate N&C Securities*

Where Screen Rate Determination is specified in the applicable Pricing Supplement 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:

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

(expressed as a percentage rate per annum), for the Reference Rate (being either the London interbank offered rate ("**LIBOR**") or the Euro interbank offered rate ("**EURIBOR**"), as specified in the applicable Pricing Supplement) 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 Pricing Supplement) in question, in each case (y) plus or minus (as indicated in the applicable Pricing Supplement) 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 Pricing Supplement 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 Pricing Supplement) 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 Pricing Supplement 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 Pricing Supplement) 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 Pricing Supplement) which appears on the Relevant Screen Page (as specified in the applicable Pricing Supplement) as of 5:00 p.m., London time, on the Interest Determination Date (as specified in the applicable Pricing Supplement) 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 the Reference Rate from time to time in respect of Floating Rate N&C Securities or Variable Interest 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 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 Pricing Supplement 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 Pricing Supplement, 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 4.3(b) above be less than zero.

If the applicable Pricing Supplement 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 Pricing Supplement), 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, 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.

Unless Day Count Fraction is specified as "Not Applicable" in the applicable Pricing Supplement, the Principal Paying Agent (or other person as specified in the applicable Pricing Supplement), 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:

- (i) 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 N&C Securities, by the Outstanding Partial Redemption Nominal Percentage;
- (ii) 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 N&C Securities, 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 5 (*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) ***Linear Interpolation***

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Pricing Supplement) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Pricing Supplement), one of which shall be determined as if the Designated

Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

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

(f) ***Notification of Rate of Interest and Interest Amounts***

The Principal Paying Agent (or other person as specified in the applicable Pricing Supplement) 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 13 (*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 13 (*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.

(g) ***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 4.3 (*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 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 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.

4.4 **Interest on Dual Currency Interest N&C Securities**

The rate or amount of interest payable in respect of Dual Currency Interest N&C Securities shall be determined in the manner specified in the applicable Pricing Supplement.

4.5 **Interest on Partly Paid N&C Securities**

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.

4.6 **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 amount of principal on a daily basis at an overnight market rate of interest for the Specified Currency as selected by the Calculation Agent acting in good faith and a commercially reasonable manner and on the basis of the applicable Day Count Fraction or, if Day Count Fraction is specified as "Not Applicable" in the applicable Pricing Supplement, 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 Pricing Supplement), 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 13 (*Notices*).

4.7 **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 Pricing Supplement; 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 Pricing Supplement, 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**").

4.8 **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 Pricing Supplement such amount of interest will be calculated as specified in the applicable Pricing Supplement and any reference to a Day Count Fraction in this N&C Security Condition 4 will be deemed not to apply.

4.9 **Fixed Income Benchmark**

If the applicable Pricing Supplement specifies that a Rate of Interest is to be determined in accordance with this N&C Security Condition 4.9 then, in respect of any relevant Interest Determination Date or Reset Date specified in the applicable Pricing Supplement 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 4 (*Interest*) on the following basis:

- (a) the N&C 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 Pricing Supplement;

- (b) if Screen Rate Determination applies the Reference Rate will mean the relevant LIBOR, EURIBOR or other rate as specified under the heading "Fixed Income Benchmark" in the applicable Pricing Supplement and the Relevant Screen Page will be as specified under the heading "Fixed Income Benchmark" in the applicable Pricing Supplement;
- (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 Pricing Supplement;
- (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 Pricing Supplement;
- (e) each day on which the Rate of Interest is to be determined will be deemed to be an Interest Determination Date or 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 Pricing Supplement;
- (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 4.3(b)(ii), if the Calculation Agent is unable to determine the Rate of Interest in accordance with N&C Security Condition 4.3(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.

4.10 Partial Redemption N&C Securities

- (a) Partial Redemption N&C Securities pay interest as provided in this N&C Security Condition 4.10 (such interest "**Partial Interest**") and, if specified in the applicable Pricing Supplement, as provided in N&C Security Condition 4.3 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 Pricing Supplement 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 Pricing Supplement).

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 Pricing Supplement 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 4.7 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:

- (i) 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
- (ii) 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 5 (*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.

- (a) 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 Pricing Supplement amount to the Partial Interest Broken Amount so specified.
- (b) For the purposes of Partial Redemption N&C Securities, "**Partial Redemption Nominal Percentage**" means the percentage specified as such in the applicable Pricing Supplement.

5. PAYMENTS

5.1 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 5 (*Payments*), 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 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 U.S. 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 5.1(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.

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 5.1(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 the preceding paragraph. Payment of the final instalment will be made in the manner provided in N&C Security Condition 5.1(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 the preceding paragraph. 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.

(c) *Missing Unmatured Coupons*

Fixed Rate N&C Securities and Partial Redemption N&C Securities in definitive bearer form (other than Dual Currency N&C Securities, Variable Interest Rate N&C Securities or Long Maturity N&C Securities (as defined 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 8 (*Prescription*)) in respect of such principal (whether or not such Coupon would otherwise have become void under N&C Security Condition 8 (*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.

5.2 **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 Depository in accordance with the terms of the N&C Securities Depository Agreement. Upon receipt of any such amounts, the Book-Entry Depository will pay the amounts so received to the common depository for Euroclear and/or Clearstream, Luxembourg 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 Depository, 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 Depository 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 Depository 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.

5.3 **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 "**Registrar**") 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 (i) a holder does not have a Designated Account or (ii) the nominal amount of the N&C Securities held by a holder is less than U.S.\$100,000 (or its approximate equivalent in any other Specified Currency), 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 and instalments in respect of Definitive Registered N&C Securities*

Payments of interest and 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 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 and 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.

5.4 **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 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 Pricing Supplement, 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 Pricing Supplement, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global 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 7 (*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, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto; and (b) pursuant to Section 871(m) of the Code ("**871m Withholding**"). 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 N&C Securities with respect to any such withholding or deduction.

In addition, in determining the amount of 871(m) Withholding imposed with respect to any amounts to be paid on the N&C Securities, the Issuer shall be entitled to withhold on any "dividend equivalent" (as defined for purposes of Section 871(m) of the Code) at the highest rate applicable to such payments regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law.

Payments on the N&C Securities that reference U.S. securities or an index that includes U.S. securities may be calculated by reference to dividends on such U.S. securities that are reinvested at a rate of 70%. In such case, in calculating the relevant payment amount, the holder will be deemed to receive, and the Issuer will be deemed to withhold, 30% of any dividend equivalent payments (as defined in Section 871(m) of the Code) in respect of the relevant U.S. securities. The Issuer will not pay any additional amounts to the holder on account of the Section 871(m) amount deemed withheld.

5.5 **Place of payment**

Notwithstanding the foregoing provisions of this N&C Security Condition 5, 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, adverse tax consequences to the Issuer.

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.

5.6 **Payment Days**

Subject to N&C Security Condition 4.3(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 Pricing Supplement, or where no Payment Day Convention is specified in the applicable Pricing Supplement, 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 Pricing Supplement, 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 Pricing Supplement, 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 8 (*Prescription*)):

- (a) 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:
- (i) in the case of N&C Securities in definitive form only, the relevant place of presentation; and
 - (ii) each Additional Financial Centre specified in the applicable Pricing Supplement; and
- (b) either (i) 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 (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.7 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 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 6.8 (*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.

5.8 Rounding Convention

For the purposes of calculations made pursuant to N&C Security Condition 4.2 (*Interest on Fixed Rate N&C Securities*), N&C Security Condition 4.3 (*Interest on Floating Rate N&C Securities and Variable Interest Rate N&C Securities*). N&C Security Condition 4.10 (*Partial Redemption N&C Securities*) and N&C Security Condition 6 (*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 Pricing Supplement, be rounded upwards to the next sub-unit of the relevant Specified Currency,

- (b) if "Rounded Down" is specified in the applicable Pricing Supplement, 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 Pricing Supplement 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).

5.9 **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.

6. **REDEMPTION AND PURCHASE**

6.1 **Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below:

- (a) each N&C Security (other than a Partial Redemption N&C Security and those N&C Securities otherwise specified in the applicable Pricing Supplement or 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 specified in the applicable Pricing Supplement; and
- (b) 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 Pricing Supplement; and
 - (ii) by payment of the Final Redemption Amount determined in the manner specified in the applicable Pricing Supplement in the relevant Specified Currency, on the Maturity Date specified in the applicable Pricing Supplement, which amount shall be deemed to be the final instalment of principal in respect of the relevant N&C Security.

6.2 **Redemption at the option of N&C Securityholders (Investor Put)**

If Investor Put is specified as being applicable in the applicable Pricing Supplement, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, upon the holder of any N&C Security giving to the Issuer in accordance with N&C Security Condition 13 (*Notices*) not less than 15 nor more than 30 calendar days' notice (or such other notice period as may be specified in the applicable Pricing Supplement) 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 Pricing Supplement) and at the Optional Redemption Amount (as specified, or determined in the manner specified in, in the applicable Pricing Supplement) 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 6.2 in any multiple of their lowest Specified Denomination. 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.

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 6.2 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 depository 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 6.2 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 6.2 and instead to declare such N&C Security forthwith due and payable pursuant to N&C Security Condition 9 (*Events of Default*).

6.3 **Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified as being applicable in the applicable Pricing Supplement, the Issuer may, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement having given: (a) not less than 15 nor more than 30 calendar days' notice to the N&C Securityholders in accordance with N&C Security Condition 13 (*Notices*); and (b) not less than 15 calendar days before the giving of the notice referred to in (a) above, notice to the Principal Paying Agent and, in the case of a redemption of Definitive Registered N&C Securities, the Registrar (or such other notice periods as may be specified in the applicable Pricing Supplement) (which notices 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, or determined in the manner specified in, the applicable Pricing Supplement 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 Pricing Supplement.

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 13 (*Notices*) not less than 15 calendar days prior to the date fixed for redemption.

6.4 **Redemption for illegality**

If Issuer Illegality Call (as defined below) is specified as being applicable in the applicable Pricing Supplement, in the event that the Calculation Agent determines in good faith and in a reasonable manner that the performance of the obligations of the Issuer under the N&C Securities or any arrangements made to hedge the Issuer's obligations under the N&C Securities, has or will in the immediate future 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, 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 the interpretation thereof, the Issuer may, if and to the extent permitted by law, (such option being an "**Issuer Illegality Call**"), having given not less than 10 nor more than 30 calendar days' notice (or such other notice period as may be specified in the applicable Pricing Supplement) to the N&C Securityholders in accordance with N&C Security Condition 13 (*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.

6.5 **Regulatory Redemption Event**

If Issuer Regulatory Call (as defined below) is specified as being applicable in the applicable Pricing Supplement, 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 10 nor more than 30 calendar days' notice (or such other notice period as may be specified in the applicable Pricing Supplement) to the N&C Securityholders in accordance with N&C Security Condition 13 (*Notices*) (which notice shall be irrevocable) may (such option being an "**Issuer Regulatory Call**"), 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 13 (*Notices*).

6.6 **Redemption for tax reasons**

If Issuer Tax Call (as defined below) is specified as being applicable in the applicable Pricing Supplement, subject to N&C Security Condition 6.8 (*Early Redemption Amounts*), the N&C Securities may be redeemed at the option of the Issuer (such option being 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, a Dual Currency 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, a Dual Currency N&C Security or a Variable Interest Rate N&C Security), on giving not less than 30 nor more than 60 days' notice (or such other notice period as may be specified in the applicable Pricing Supplement) to the Principal Paying Agent and, in accordance with N&C Security Condition 13 (*Notices*), 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 deduct, withhold or otherwise pay or account for any present or future taxes, duties, assessments or governmental charges levied; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it. Reasonable measures shall not include anything which has any material impact on the business of the Issuer, or which would cause the Issuer to incur any material costs,

such circumstances being referred to as "**Issuer Tax Call Circumstances**", and *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to deduct, withhold or otherwise pay or account for any such taxes, duties, assessments or governmental changes were a payment in respect of the N&C Securities then due.

Before the publication of any notice in respect of an Issuer Tax Call, the Issuer shall deliver to the Principal Paying Agent a certificate duly signed by the Issuer stating that the Issuer is entitled to effect

such redemption on the basis of an opinion of a firm of independent legal advisers or accountants dated no earlier than three months prior to the date of such notice to the effect that in its view:

- (i) the Issuer Tax Call Circumstances exist; or
- (ii) (A) a change in or amendment to the laws or regulations of the United Kingdom or other relevant jurisdiction (including any authority or political subdivision therein or thereof having power to tax), including any treaty to which the relevant jurisdiction is a party, or a change in the official interpretation of those laws or regulations, which at the date of such certificate is proposed to be made is reasonably expected to become effective on or prior to the date when the relevant payment in respect of the N&C Securities would be made, and (B) upon such change or amendment becoming effective, the Issuer Tax Call Circumstances would exist.

N&C Securities redeemed pursuant to this N&C Security Condition will be redeemed at their Early Redemption Amount referred to in Condition 6.8 (*Early Redemption Amounts*) below.

6.7 **Redemption or adjustment for an Administrator/Benchmark Event**

In the event that an Administrator/Benchmark Event occurs, the Issuer may (at its option):

- (i) instruct the Calculation Agent to make such adjustments to the Conditions of the N&C Securities as it may determine appropriate to account for the relevant event or circumstance and, without limitation, such adjustments may include selecting a successor benchmark(s) and making related adjustments to the Conditions including, where applicable, to reflect any increased costs of the Issuer providing such exposure to the successor benchmark(s) and, in the case of more than one successor benchmark, making provision for allocation of exposure as between the successor benchmarks; or
- (ii) having given not less than 30 nor more than 60 days' notice (or such other notice period as may be specified in the applicable Pricing Supplement) to the N&C Securityholders in accordance with N&C Security Condition 13 (*Notices*) (which notice shall be irrevocable), on 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 referred to in Condition 6.8 (*Early Redemption Amounts*) below.

For the avoidance of doubt, the above is additional, and without prejudice, to any other terms of the N&C Securities. In the event that under any such terms any other consequences could apply in relation to an event or occurrence the subject of an Administrator/Benchmark Event, the Issuer shall determine which terms shall apply in its sole and absolute discretion.

For these purposes,

"Administrator/Benchmark Event" means the Calculation Agent determines that (1) a Benchmark Modification or Cessation Event has occurred or will occur, or (2) any authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register in respect of a relevant Benchmark or the administrator or sponsor of a relevant Benchmark has not been, or will not be, obtained or has been, or will be, rejected, refused, suspended or withdrawn by the relevant competent authority or other relevant official body, in each case with the effect that the Issuer or the Calculation Agent or any other entity is not, or will not be, permitted under any applicable law or regulation to use the relevant Benchmark to perform its or their respective obligations under the N&C Securities, or (3) it is not commercially reasonable to continue the use of the Benchmark in connection with the N&C Securities as a result of any applicable licensing restrictions or changes in the cost of obtaining or maintaining any relevant licence (including, without limitation, where the Issuer, the Calculation Agent or any other entity is required to hold a valid licence in order to issue or perform its obligations in respect of the N&C Securities and for any reason such licence is either not obtained, not renewed or is revoked or there is a material change in the cost of obtaining or renewing such licence);

"Benchmark" means any figure which is a benchmark as defined in BMR and where any amount payable under the N&C Securities, or the value of the N&C Securities, is determined by reference in whole or in part to such figure, all as determined by the Calculation Agent;

"Benchmark Modification or Cessation Event" means, in respect of the Benchmark, any of the following:

- (i) any material change in such Benchmark;
- (ii) the permanent or indefinite cancellation or cessation in the provision of such Benchmark; or
- (iii) a regulator or other official sector entity prohibits the use of such Benchmark; and

"BMR" means the EU Benchmarks Regulation (Regulation (EU) 2016/1011).

6.8 Early Redemption Amounts

For the purpose of N&C Security Conditions 6.4 (*Redemption for illegality*), 6.5 (*Regulatory Redemption Event*), 6.6 (*Redemption for tax reasons*), 6.7 (*Redemption or adjustment for an Administrator/Benchmark Event*) and N&C Security Condition 9 (*Events of Default*) or in the case of any other early redemption of the N&C Securities in an applicable Annex or as otherwise specified in the applicable Pricing Supplement, 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 of the first Tranche of the Series, 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 but including an Instalment N&C Security and a Partly Paid N&C Security) with a Final Redemption Amount which is or may be less or greater than the Issue Price of the first Tranche of the Series, subject as provided below, the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, 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:

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

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 Pricing Supplement 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 will be 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),

or on such other calculation basis as may be specified in the applicable Pricing Supplement; or

- (d) if **"Market Value less Associated Costs"** is specified as the Early Redemption Amount in the applicable Pricing Supplement, 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 9 (*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 9 (*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 determined by the Calculation Agent using its internal models and methodologies by reference to such factors as the Calculation Agent considers to be appropriate (including, but not limited to, (a) interest rates, index levels, implied volatilities in the option markets and exchange rates; (b) the remaining life of the N&C Securities had they remained outstanding to their scheduled maturity and/or any scheduled early redemption; (c) the value at the relevant time of any minimum redemption amount which would have been applicable had the N&C Securities remained outstanding to their scheduled maturity and/or any scheduled early redemption date; and (d) the prices at which other market participants might bid for securities similar to the N&C Securities), less, Associated Costs. In respect of N&C Securities bearing interest and unless otherwise specified in the applicable Pricing Supplement, 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) if **"Market Value"** is specified as the Early Redemption Amount in the applicable Pricing Supplement, 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 9 (*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 9 (*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 determined by the Calculation Agent using its internal models and methodologies by reference to such factors as the Calculation Agent considers to be appropriate (including, but not limited to, (a) interest rates, index levels, implied volatilities in the option markets and exchange rates; (b) the remaining life of the N&C Securities had they remained outstanding to their scheduled maturity and/or any scheduled early redemption; (c) the value at the relevant time of any minimum redemption amount which would have been applicable had the N&C Securities remained outstanding to their scheduled maturity and/or any scheduled early redemption date; and (d) the prices at which other market participants might bid for securities similar to the N&C Securities). In respect of N&C Securities bearing interest and unless otherwise specified in the applicable Pricing Supplement, 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;
or

(f) on such other calculation basis as may be specified in the applicable Pricing Supplement.

6.9 **Automatic Early Redemption Event**

If Automatic Early Redemption is specified as applicable in the applicable Pricing Supplement, then unless previously redeemed or purchased and cancelled, if an Automatic Early Redemption Event as specified in the applicable Pricing Supplement occurs, then the Issuer will give notice to N&C Securityholders in accordance with N&C Security Condition 13 (*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 Pricing Supplement at the Automatic Early Redemption Amount as specified in the applicable Pricing Supplement. For the purposes of these Conditions, the Agency Agreement, 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.

6.10 **Instalments**

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 pursuant to N&C Security Condition 6.8 (*Early Redemption Amounts*).

6.11 **Partly Paid N&C Securities**

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 6 and the applicable Pricing Supplement.

6.12 **Purchases**

The Issuer or any of its 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, surrendered to any Paying Agent and/or the Registrar for cancellation.

6.13 **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 6.12 (*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.

6.14 **Late payment on Zero Coupon N&C Securities**

Except as provided in the applicable Pricing Supplement, 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 6.4 (*Redemption for illegality*) or 6.5 (*Regulatory Redemption Event*) above or upon its becoming due and repayable as provided in N&C Security Condition 9 (*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 6.8(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:

- (a) the date on which all amounts due in respect of such Zero Coupon N&C Security have been paid; and
- (b) 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 Principal Paying Agent or the Registrar and notice to that effect has been given to the N&C Securityholders in accordance with N&C Security Condition 13 (*Notices*).

6.15 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 Pricing Supplement.

7. TAXATION

All payments of principal and interest in respect of the N&C Securities, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, 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 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.

8. 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 8 or N&C Security Condition 5.1(d) (*Payments 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 5.1(d) (*Payments 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 13 (*Notices*).

9. EVENTS OF DEFAULT

- 9.1 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 13 (*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 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 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 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 fails to perform or observe any of its other obligations under the N&C Securities 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 (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)).

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 N&C 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 the Issuer has paid or deposited with the Principal Paying Agent a sum sufficient to pay (A) all overdue amounts of interest on the N&C Securities, and (B) all other amounts which have become due in respect of the N&C Securities otherwise than by such declaration of acceleration, 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.

- 9.2 Any default by the Issuer, other than the events described in N&C Security Condition 9.1(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.

10. **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 13 (*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.

11. **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 Pricing Supplement.

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 there will at all times be:

- (a) a Principal Paying Agent;
- (b) a Registrar with a specified office outside the United Kingdom; and
- (c) so long as the N&C Securities are listed on any stock exchange or admitted to trading by any other relevant authority, 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.

The Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in N&C Security Condition 5.5 (*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 13 (*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 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 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 Paying Agents, the N&C Securityholders, the Receiptholders and the Couponholders.

12. **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 8 (*Prescription*).

13. **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 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.

14. **SUBSTITUTION**

14.1 **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 an Affiliate of the Issuer (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) 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; (iv) 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 13 (*Notices*)); and (v) the creditworthiness of the Substitute Issuer at such time is at least equal to the creditworthiness of the Issuer (or of any previous substitute issuer under this N&C Security Condition), as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner by reference to, *inter alia*, the long term senior debt ratings (if any) assigned by Standard & Poor's Rating 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 agency or agencies thereto, or such other rating agency as the Calculation Agent determines to the Substitute Issuer or, as the case may be, to the Issuer (or any previous substitute issuer under this N&C Security Condition).

14.2 **Substitution of Branch**

The Issuer shall have the right upon 30 calendar days' prior notice to the N&C Securityholders in accordance with N&C Security Condition 13 (*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.

15. **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 6 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. Such a meeting may be convened by the Issuer 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 (i) in respect of matters other than the passing of an Extraordinary Resolution (as described in (ii) below), is one or more persons holding or representing in the aggregate not less than twenty per cent. (20%) in nominal amount or number of units of the N&C Securities for the time being outstanding, or (ii) for passing an Extraordinary Resolution is (a) 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 except that (b) 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 meeting in respect of the matters described at (i) and (ii)(a) above 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 or, at any adjourned meeting in respect of the matters described at (ii)(b) above, 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. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than seventy-five per cent. of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than seventy-five per cent. in nominal amount of the N&C Securities for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Principal Paying Agent) by or on behalf of the holders of not less than seventy-five per cent. in nominal amount of the N&C Securities for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the N&C Securityholders. An Extraordinary Resolution passed by the N&C Securityholders will be binding on all the N&C Securityholders, whether or not they are present at any meeting and whether or not they voted on the resolution, 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 13 (*Notices*) as soon as practicable thereafter.

16. **REDENOMINATION**

16.1 **Redenomination**

Where redenomination is specified in the applicable Pricing Supplement as being 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 13 (*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 16.1(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 Principal Paying 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 5 (*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.

16.2 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 16.1 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 provides for a minimum Specified Denomination in the Specified Currency which is equivalent to at least euro 100,000; and

"Treaty" means the Treaty on the Functioning of the European Union, as amended.

17. 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, the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding N&C Securities.

18. 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 not affect any right or remedy of any reason which exists or is available apart from that Act.

19. 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.

20. **GOVERNING LAW AND JURISDICTION**

20.1 **Governing law**

The Agency Agreement, the N&C Securities Depositary Agreement, 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 N&C Securities Depositary Agreement, the Deed of Covenant, the N&C Securities, the Receipts and the Coupons are governed by, and construed in accordance with, English law.

20.2 **Jurisdiction**

- (a) The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with 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 Deed of Covenant, the N&C Securities, the Receipts and/or the Coupons (a "**Dispute**") and the Issuer 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 20.2, the Issuer 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.

EQUITY INDEX ANNEX

ADDITIONAL TERMS AND CONDITIONS FOR EQUITY INDEX LINKED N&C SECURITIES

The terms and conditions applicable to Equity Index Linked N&C Securities shall comprise 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 Linked Conditions"), together with the Terms and Conditions as set out in each other Annex which is specified as applicable in the applicable Pricing Supplement (together with the N&C Security Conditions and the Equity Index Linked Conditions, the "Conditions") and, in each case subject to completion and/or amendment in the applicable Pricing Supplement. In the event of any inconsistency between the N&C Security Conditions and the Equity Index Linked Conditions, the Equity Index Linked Conditions shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions and/or the Equity Index Linked Conditions and (ii) the Pricing Supplement, the Pricing Supplement shall prevail. Any reference to "Index" within this Equity Index 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 are to such numbered section of the N&C Security Conditions, and references to a numbered Equity Index Linked Condition are to such numbered section as set out in this Equity Index Annex.

Defined terms used in this Equity Index Annex or the related section of the Pricing Supplement where the same term may be used in another Annex (e.g. Valuation Date) shall have the meanings given in this Equity Index Annex or in the section of the Pricing Supplement relating to Equity Index Linked N&C Securities notwithstanding the same terms being used in another Annex or section of the Pricing Supplement.

1. EQUITY INDEX LINKED N&C SECURITIES

1.1 Equity Index Linked Interest N&C Securities

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions or as specified in the applicable Pricing Supplement and subject to these Equity Index Linked Conditions, each Equity Index Linked Interest N&C Security will bear interest, if applicable, in the manner specified in the applicable Pricing Supplement and the Conditions.

1.2 Equity Index Linked Redemption N&C Securities

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions or as specified in the applicable Pricing Supplement and subject to these Equity Index Linked Conditions, 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 Pricing Supplement on the Maturity Date.

2. MARKET DISRUPTION

"**Market Disruption Event**" means, in relation to N&C Securities relating to a single Index or basket containing any Index:

(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, 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 N&C Securityholders in accordance with N&C Security Condition 13 (*Notices*) 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.

3. **ADJUSTMENTS TO AN INDEX**

3.1 **Successor Index Sponsor Calculates and Reports an Index**

If a relevant Index is:

- (a) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent; or
- (b) 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.

3.2 **Modification and Cessation of Calculation of an Index**

If, in the determination of the Calculation Agent,

- (a) 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
- (b) the relevant Index Sponsor permanently cancels a relevant Index and no Successor Index exists (an "**Index Cancellation**"); or
- (c) 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, and any Additional Index Adjustment Event, each an "**Index Adjustment Event**");

then the Issuer shall:

- (A) require the Calculation Agent to determine, acting in good faith and in a commercially reasonable manner, if such Index Adjustment Event has a material effect on the N&C Securities and, if so, shall calculate the relevant Index Level using, in lieu of a published level for that Index, the level for that Index 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, acting in good faith and in a commercially reasonable manner, 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; or
- (B) if the Calculation Agent determines that it cannot or can no longer calculate the relevant Index Level as described in paragraph (A), require the Calculation Agent to replace the affected Index by a new Index provided that such new index 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) if this Equity Index Linked Condition 3.2(c)(C) is specified as applicable in the applicable Pricing Supplement and if the Calculation Agent determines that there is not such a new Index and/or that the application of paragraph (B) would not achieve a commercially reasonable result, on giving notice to N&C Securityholders in accordance with N&C Security Condition 13 (*Notices*), redeem or cancel, as the case may be, all but not some only of the N&C Securities, each N&C Security being redeemed by payment of the relevant Early Redemption Amount.

3.3 **Notice**

The Calculation Agent shall, as soon as practicable, notify the relevant Agent of any determination made by it pursuant to Equity Index Linked Condition 3.2 above and the action proposed to be taken in relation thereto and such Agent shall make available for inspection by N&C Securityholders copies of any such determinations.

4. **CORRECTION OF INDEX**

With the exception of any corrections published after the day which is three (3) Exchange Business Days prior to the Maturity Date, if the level of an Index published on a given day and used or to be used by the Calculation Agent to make any determination under the N&C 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 N&C Securities shall be the level of the Index as so corrected and the Calculation Agent may make any relevant adjustment to the Conditions or any subsequent amount payable under the N&C Securities to account therefor, as the Calculation Agent determines appropriate in good faith and in a commercially reasonable manner. The Calculation Agent shall, as soon as practicable, notify the relevant Agent of any adjustment made by it pursuant to this Equity Index Linked Condition 4 and such Agent shall make available for inspection by N&C Securityholders copies of any such adjustment.

5. ADDITIONAL DISRUPTION EVENT

5.1 "Additional Disruption Event" means:

- (a) if "Elected Events Only" is specified in the applicable Pricing Supplement, any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Loss of Stock Borrow and/or any Specified Additional Disruption Event, but in each case, only to the extent that such events are specified as Additional Disruption Events in the applicable Pricing Supplement; or
- (b) if "Elected Events Only" is specified not to apply in the applicable Pricing Supplement, any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Loss of Stock Borrow and/or any Specified Additional Disruption Event.

5.2 Consequences of an Additional Disruption Event

- (a) If an Additional Disruption Event occurs, the Issuer shall:
 - (i) require the Calculation Agent to replace the affected Index by a new Index provided that such new Index 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) if the Calculation Agent determines that it cannot replace the affected Index as described in paragraph (i)
 - (A) 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 N&C Securities to account for the Additional Disruption Event and determine the effective date of that adjustment; or
 - (B) redeem or cancel, as the case may be, the N&C Securities by giving notice to the N&C Securityholders in accordance with N&C Security Condition 13 (*Notices*). If the N&C Securities are so redeemed or cancelled, the Issuer will pay each N&C Securityholder the Early Redemption Amount in respect of each N&C Security held by it, determined by taking into account the Additional Disruption Event. Payments will be made in such manner as shall be notified to the N&C Securityholders in accordance with N&C Security Condition 13 (*Notices*).
- (b) Upon the occurrence of an Additional Disruption Event, the Issuer shall give notice as soon as practicable to the N&C Securityholders in accordance with N&C Security Condition 13 (*Notices*) 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.

6. INDEX DISCLAIMER

The N&C 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 N&C Securities. The Issuer shall have no liability to the N&C 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 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 its Affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Index.

7. DEFINITIONS

Unless otherwise specified in the applicable Pricing Supplement:

"Additional Index Adjustment Event" means each event specified as an Additional Index Adjustment Event in the applicable Pricing Supplement.

"Averaging Date" means each date specified as an Averaging Date in the applicable Pricing Supplement or, if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless 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 Pricing Supplement, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Index 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 Pricing Supplement, 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 Pricing Supplement then:
 - (i) where the N&C Securities relate to a single Index, 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 N&C Securities relate to a basket of assets, the Averaging Date for each Index 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 affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date (as defined below) in relation to such Index. If the first succeeding Valid Date in relation to such Index 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, 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 Pricing Supplement, 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).

"**Change in Law**" means where:

- (a) "Change in Law 1" is specified to be applicable in the applicable Pricing Supplement, Change in Law 1; or
- (b) "Change in Law 2" is specified to be applicable in the applicable Pricing Supplement, Change in Law 2.

"**Change in Law 1**" means that, on or after the Trade Date (as specified in the applicable Pricing Supplement):

- (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 and/or (ii) any Hedging Party will incur a materially increased cost in performing its obligations in relation to the N&C 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).

"**Change in Law 2**" means that, on or after the Trade Date (as specified in the applicable Pricing Supplement):

- (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 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.

"**Clearance System**" means in respect of any security or asset comprised in an Index, the principal domestic clearance system customarily used for setting trades in that security or asset.

"**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; or
- (b) a Composite Index, the official closing level of such Index as published by the relevant Index Sponsor,

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 acting in good faith and in a commercially reasonable manner.

"Disrupted Day" means any day which is:

- (a) 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
- (b) 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
- (c) where both Exchange Business Day (Cross Asset Basis) and Scheduled Trading Day (Cross Asset Basis) are specified as applicable in the Pricing Supplement for Equity Index Linked N&C Securities, a Disrupted Day occurs under and as defined in the applicable Pricing Supplement.

"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, 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.

"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); and

- (b) in the case of any Non-Composite Index, the relevant exchange or quotation system specified for such Index in the applicable Pricing Supplement or if no such exchange or quotation system is specified for such Index in the Pricing Supplement, 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).

"Exchange Business Day" means (a) in the case of a single Index, Exchange Business Day (Single Index Basis) or (b) in the case of a basket of Indices or assets, (i) Exchange Business Day (All Indices Basis) or (ii) Exchange Business Day (Per Index Basis) or (iii) Exchange Business Day (Cross Asset Basis), in each case as specified in the applicable Pricing Supplement, provided that, in the case of (b), if no such specification is made in the applicable Pricing Supplement, Exchange Business Day (All Indices Basis) shall apply.

"Exchange Business Day (All Indices Basis)" means, in respect of a basket of Indices 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 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 Related Exchange (if any) in respect of each Composite Index 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 comprised in the basket, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time, (b) in respect of any Composite Index, (i) the relevant Index Sponsor calculates and publishes the level of such Composite Index and (ii) each Related Exchange (if any) in respect of each Composite Index in the basket, is open for trading during its regular trading session (notwithstanding any such Related Exchange closing prior to its Scheduled Closing Time) and (c) in respect of any other asset(s), is as specified in the applicable Pricing Supplement.

"Exchange Business Day (Per Index 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 Related Exchange (if any) in respect of such Composite Index is open for trading during its regular trading session, notwithstanding such 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 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 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 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 Related Exchange (if any) in respect of such Composite Index, is open for trading during its regular trading session notwithstanding such 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, 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 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 on any relevant Related Exchange.

"Final Valuation Date" means the date specified as the Final Valuation Date in the applicable Pricing Supplement, which, unless otherwise specified in the applicable Pricing Supplement, 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 Linked Conditions.

"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 issuing and performing its obligations with respect to the N&C 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, acting in good faith and in a commercially reasonable manner.

"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 N&C 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 N&C 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 issuing and performing its obligations with respect to the N&C 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 Linked Conditions, the equity index or equity indices specified in the applicable Pricing Supplement and related expressions shall be construed accordingly.

"Index Level" means, in respect of an Index, the Opening Level, Closing Level, Intraday Level or Observation Level of such Index, as set out in the applicable Pricing Supplement.

"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 N&C Securities is the index sponsor specified for such Index in the applicable Pricing Supplement.

"Initial Stock Loan Rate" means, unless otherwise specified in the applicable Pricing Supplement, and 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 Pricing Supplement, which, unless otherwise specified in the applicable Pricing Supplement, 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 Linked Conditions.

"Intraday Level" means the level of an Index 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.

"Loss of Stock Borrow" means that the Hedging Party is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any 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 Pricing Supplement, 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.

"Non-Composite Index" means an Index that is not a Composite Index (together **"Non-Composite Indices"**).

"Observation Level" means the relevant level of the applicable Index observed by the Calculation Agent on the relevant Averaging Date, Scheduled Observation Date or Valuation Date at the Relevant Time specified in the applicable Pricing Supplement.

"Observation Period" means the period specified as the Observation Period in the applicable Pricing Supplement.

"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,

in each case as determined by the Calculation Agent.

"Related Exchange" means, in respect of Equity Index Linked N&C Securities and in relation to an Index, each exchange or quotation system on which option contracts or futures contracts relating to such Index are traded, as determined by the Calculation Agent or each exchange or quotation system specified as such for such Index in the applicable Pricing Supplement, 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 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 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 Pricing Supplement, "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 as determined by the Calculation Agent.

"Relevant Market" means, for the purpose of determining any value or other amount pursuant to these Equity Index 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 N&C Securities.

"Relevant Time" shall have the meaning specified in the applicable Pricing Supplement.

"Reuters Screen" shall mean, when used in connection with any designated page, specified in the applicable Pricing Supplement, 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 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 Pricing Supplement, which, unless otherwise specified in the applicable Pricing Supplement, 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 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, Scheduled Trading Day (Single Index Basis) or (b) in the case of a basket of Indices or assets, (i) Scheduled Trading Day (All Indices Basis) or (ii) Scheduled Trading Day (Per Index Basis) or (iii) Scheduled Trading Day (Cross Asset Basis), in each case as specified in the applicable Pricing Supplement, provided that if, in the case of (b), no such specification is made in the applicable Pricing Supplement, Scheduled Trading Day (All Indices Basis) shall apply.

"Scheduled Trading Day (All Indices Basis)" means, in respect of a basket of Indices 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 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 Related Exchange (if any) in respect of such Composite Indices 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 in the basket is scheduled to be open for trading for its regular trading session, (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 Related Exchange (if any) in respect of such Composite Indices is scheduled to be open for trading during its regular trading session and (c) in respect of any other asset(s), is as specified in the applicable Pricing Supplement.

"Scheduled Trading Day (Per Index 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 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 Related Exchange (if any) in respect of such Composite Index is scheduled to be open for trading for its regular trading session.

"Scheduled Trading Day (Single Index 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 Related Exchange (if any) in respect of such Composite Index 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 Pricing Supplement, or any successor page or service thereto.

"Settlement Cycle" means, in respect of any Index, the period of Clearance System Business Days following a trade in the securities underlying such Index 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 Additional Disruption Event" means each event specified as a Specified Additional Disruption Event in the applicable Pricing Supplement.

"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 Pricing Supplement 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 N&C Securities for which valuation on the relevant Averaging Date or Valuation Date is relevant, all as determined by the Calculation Agent.

"Trade Date" means the date specified as such in relation to Equity Index Linked N&C Securities in the applicable Pricing Supplement.

"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, 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 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 on any relevant Related Exchange.

"Valuation Date" means the date specified as such in the applicable Pricing Supplement 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 such day is a Disrupted Day. If such day is a Disrupted Day, then:

- (a) in the case of N&C Securities relating to a single Index, 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 Level in the manner set out in the applicable Pricing Supplement or, if not set out or if not practicable, determine the Index Level by determining the level or price of the Index 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 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, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security or asset, as applicable, on the last such consecutive Scheduled Trading Day, its good faith and commercially reasonable estimate of the value for the relevant security or asset, as applicable, as of the Valuation Time on that eighth Scheduled Trading Day); or

- (b) in the case of N&C Securities relating to a basket of assets, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Index 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 Level using, in relation to the Affected Item, the level or value as applicable, determined in the manner set out in the applicable Pricing Supplement, or, if not set out or if not practicable, using the level of that Index 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 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, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security or asset, as applicable, on the last such consecutive Scheduled Trading Day, its good faith and commercially reasonable estimate of the value for the relevant security or asset, as applicable, as of the Valuation Time on that eighth Scheduled Trading Day).

"Valuation Time" means the Relevant Time specified in the applicable Pricing Supplement 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 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, (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 Level is calculated and published by the index Sponsor or quoted on the relevant Exchange.

INFLATION INDEX ANNEX

ADDITIONAL TERMS AND CONDITIONS FOR INFLATION INDEX LINKED N&C SECURITIES

The terms and conditions applicable to Inflation Index Linked N&C Securities shall comprise 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"), together with the Terms and Conditions as set out in each other Annex which is specified as applicable in the applicable Pricing Supplement (together with the N&C Security Conditions and the Inflation Index Linked Conditions, the "Conditions") and, in each case subject to completion and/or amendment in the applicable Pricing Supplement. In the event of any inconsistency between the N&C Security Conditions and the Inflation Index Linked Conditions, the Inflation Index Linked Conditions shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions and/or the Inflation Index Linked Conditions and (ii) the Pricing Supplement, the Pricing Supplement shall prevail.

References below to a numbered N&C Security Condition are to such numbered section of the N&C Security Conditions, 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 Pricing Supplement 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 Pricing Supplement relating to Inflation Index Linked N&C Securities notwithstanding the same terms being used in another Annex or section of the Pricing Supplement.

1. INFLATION INDEX LINKED N&C SECURITIES

(a) Inflation Index Linked Interest N&C Securities

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions or as specified in the applicable Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement and the Conditions on the Maturity Date (subject as provided below).

2. KEY DATES AND BASKETS

(a) Key Dates

The applicable Pricing Supplement 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 Pricing Supplement.

(b) Baskets

The applicable Pricing Supplement may specify that the N&C Securities 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 Pricing Supplement, 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;
- (ii) if (I) "Related Bond" is not specified as applicable for such Inflation Index in the relevant Pricing Supplement, 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:

$$\text{Substitute Index Level} = \text{Base Level} \times \left(\frac{\text{Latest Level}}{\text{Reference Level}} \right); \text{ or}$$

- (iii) otherwise in accordance with any formula specified in the relevant Pricing Supplement,
- 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 N&C Securityholders in accordance with N&C Security Condition 13 (*Notices*) 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 N&C 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 N&C 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 N&C 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 N&C Securities to account for this event or (2) on giving notice to N&C Securityholders in accordance with N&C Security Condition 13 (*Notices*), the Issuer shall redeem or cancel, as applicable all but not some only of the Inflation Index Linked N&C Securities, each Inflation Index Linked N&C Security being redeemed or cancelled, as applicable by payment of the relevant Early Redemption Amount. Payments will be made in such manner as shall be notified to the N&C Securityholders in accordance with N&C Security Condition 13 (*Notices*).

(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 Pricing Supplement, 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 Pricing Supplement, 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 Pricing Supplement, consistent with adjustments made to the Related Bond, or, if "Related Bond" is not specified as applicable in the applicable Pricing Supplement, 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, 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 N&C Securities as it determines appropriate to account for the correction and will notify the N&C Securityholders of any such adjustments in accordance with N&C Security Condition 13 (*Notices*).

4. **ADDITIONAL DISRUPTION EVENTS**

"Additional Disruption Event" means any of Change in Law, Hedging Disruption, Increased Cost of Hedging and/or any Specified Additional Disruption Event in each case if specified as applying to Inflation Index Linked N&C Securities in the applicable Pricing Supplement.

- (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 N&C Securities to account for the Additional Disruption Event and determine the effective date of that adjustment; or
 - (ii) redeem the N&C Securities by giving notice to the N&C Securityholders in accordance with N&C Security Condition 13 (*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 13 (*Notices*).
- (b) Upon the occurrence of an Additional Disruption Event, the Issuer will give notice as soon as practicable to the N&C Securityholders in accordance with N&C Security Condition 13 (*Notices*) 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 N&C 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 N&C Securities. The Issuer shall not have liability to the N&C 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 its 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, its 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 N&C Securities:

"Change in Law" means that, on or after the Trade Date (as specified in the applicable Pricing Supplement):

- (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 N&C 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).

"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 Pricing Supplement.

"End Date" means each date specified as such in the applicable Pricing Supplement.

"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 Pricing Supplement, (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 issuing and performing its obligations with respect to the N&C 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 N&C 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 issuing and performing its obligations with respect to the N&C 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 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 N&C Securities for which valuation on the relevant Determination Date is relevant, unless otherwise stated in the applicable Pricing Supplement.

"Inflation Index" means each inflation index specified in the applicable Pricing Supplement 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 Pricing Supplement.

"Observation Level" means the relevant level of the Inflation Index observed by the Calculation Agent on the relevant Scheduled Observation Date as specified in the applicable Pricing Supplement.

"Reference Month" means the calendar month for which the level of the Inflation Index is reported as specified in the applicable Pricing Supplement, 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 Pricing Supplement. If the Related Bond specified in the applicable Pricing Supplement 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 Pricing Supplement as the Related Bond and "Fallback Bond: Not Applicable" is specified in the applicable Pricing Supplement, there will be no Related Bond. If a bond is specified as the Related Bond in the applicable Pricing Supplement and that bond redeems or matures before the End Date (i) unless "Fallback Bond: Not Applicable" is specified in the applicable Pricing Supplement, 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 Pricing Supplement, there will be no Related Bond.

"Relevant Level" has the meaning set out in the definition of "Delayed Index Level Event" above.

"Specified Additional Disruption Event" means each event specified as such in the applicable Pricing Supplement.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of N&C Securities, whatever the denomination of those N&C Securities, issued under the Programme.

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF N&C SECURITIES DESCRIBED BELOW.

PLEASE CAREFULLY READ THE RISK FACTORS IN THE INFORMATION MEMORANDUM.

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.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS: The N&C Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU on markets in financial instruments (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC on insurance mediation (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the [Prospectus Directive] [Prospectus Regulation]¹. Consequently, no key information document required by Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (as amended, the "**PRIIPs Regulation**") for offering or selling the N&C Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the N&C Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[MiFID II Product Governance – Professional investors and eligible counterparties only target market: Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the N&C Securities has led to the conclusion that: (i) the target market for the N&C Securities is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU on markets in financial instruments (as amended, "**MiFID II**")] [MiFID II]; and (ii) all channels for distribution of the N&C Securities to eligible counterparties and professional clients are appropriate. *[Details of any negative target market to be included if applicable]* Any person subsequently offering, selling or recommending the N&C Securities (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the N&C Securities (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[Date]

Santander UK plc

Legal Entity Identifier (LEI): PTCQB104N23FMNK2RZ28

*Issue of [Aggregate Nominal Amount/Number of Units of Tranche] [Title of N&C Securities]
(the "N&C Securities")*

under the
Global Structured Solutions Programme
(the "**Programme**")

The Information Memorandum referred to below (as completed by this Pricing Supplement) has been prepared on the basis that any offer of N&C Securities in any Member State of the European Economic Area will be made pursuant to an exemption under the [Prospectus Directive] [Prospectus Regulation]², as implemented in

¹ Prior to 21 July 2019, insert "Prospectus Directive". On or after 21 July 2019, insert "Prospectus Regulation".

² Prior to 21 July 2019, insert "Prospectus Directive". On or after 21 July 2019, insert "Prospectus Regulation".

that Member State, from the requirement to publish a prospectus for offers of the N&C Securities. Accordingly, any person making or intending to make an offer in that Member State of the N&C Securities may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to [Article 3 of the Prospectus Directive] [Article 3(1) of the Prospectus Regulation]³ 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 (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the relevant Member State of the European Economic Area.] [The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129, as amended.]⁴

Any person making or intending to make an offer of the N&C Securities may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to [Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive] [Article 3(1) of the Prospectus Regulation or to supplement a prospectus pursuant to Article 23 of the Prospectus Regulation]⁵, in each case, in relation to such offer.

PART A – CONTRACTUAL TERMS

[This document constitutes the pricing supplement ("**Pricing Supplement**") of the N&C Securities described herein and must be read in conjunction with the Information Memorandum dated 16 August 2018 [as supplemented by the supplement[s] dated [date[s]]] (the "**Information Memorandum**"). Full information on the Issuer and the offer of the N&C Securities is only available on the basis of the combination of this Pricing Supplement and the Information Memorandum. Copies of the Information Memorandum may be obtained from the registered office of the Issuer against proof of N&C Securityholder or prospective N&C Securityholder status. In the event of any inconsistency between the Conditions (as defined below) and the Pricing Supplement, this Pricing Supplement will prevail.

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 [Information Memorandum] [[Information Memorandum/Prospectus] dated [original date] [and the supplement[s] dated [date]] which are incorporated by reference in the Information Memorandum]⁶.⁷

[This document constitutes the pricing supplement ("**Pricing Supplement**") of the N&C Securities described herein for the purposes of listing on the Global Exchange Market and must be read in conjunction with the Information Memorandum dated 16 August 2018 [as supplemented by the supplement[s] dated [date[s]]] which [together] constitute[s] listing particulars for the purposes of listing on the Global Exchange Market (the "**Information Memorandum**"). Full information on the Issuer and the offer of the N&C Securities is only available on the basis of the combination of this Pricing Supplement and the Information Memorandum. Copies of the Information Memorandum may be obtained from the registered office of the Issuer against proof of N&C Securityholder or prospective N&C Securityholder status. In the event of any inconsistency between the Conditions (as defined below) and the Pricing Supplement, the Pricing Supplement will prevail.

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 [Information Memorandum] [[Information Memorandum/Prospectus] dated [original date] [and the supplement[s] dated [date]] which are incorporated by reference in the Information Memorandum]⁸.⁹

³ Prior to 21 July 2019, insert first option. On or after 21 July 2019, insert second option.

⁴ Prior to 21 July 2019, insert first option. On or after 21 July 2019, insert second option.

⁵ Prior to 21 July 2019, insert first option. On or after 21 July 2019, insert second option.

⁶ Only include this language where it is a fungible issue and the original Tranche was issued under an Information Memorandum / Prospectus with a different date.

⁷ Insert in the case of an issue of N&C Securities other than in the case of N&C Securities admitted to Euronext Dublin's Global Exchange Market.

⁸ Only include this language where it is a fungible issue and the original Tranche was issued under an Information Memorandum / Prospectus with a different date.

⁹ Insert in the case of an issue of N&C Securities to be admitted to Euronext Dublin's Global Exchange Market.

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 (as defined below) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. 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 United States Commodity Exchange Act of 1936, as amended (the "**CEA**"), and trading in the N&C Securities has not been approved by the United States Commodity Futures Trading Commission (the "**CFTC**") pursuant to the CEA. For a description of the restrictions on offers and sales of N&C Securities, see "*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*" in the Information Memorandum.

For the purposes of this Pricing Supplement, "**U.S. Person**" means any person who is a "U.S. person" as defined in Regulation S under the Securities Act.

[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 (as defined below). 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 United States Commodity Exchange Act of 1936, as amended (the "**CEA**"), and trading in the N&C Securities has not been approved by the United States 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 PART C attached hereto and "*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*" in the Information Memorandum.

For the purposes of this Pricing Supplement, "**U.S. Person**" means any person who is a "U.S. person" as defined in Regulation S, the Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations under the Securities Act promulgated by the CFTC pursuant to the CEA or a person other than a "Non-United States person" as defined in CFTC Rule 4.7 (each such person, a "**U.S. Person**".)¹⁰

[In the case of Legended N&C Securities, additional disclosure to be inserted as appropriate for such N&C Securities.]

[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 (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Pricing Supplement.]

[When completing this Pricing Supplement or adding any other terms and conditions or information, consideration should be given whether such terms or information constitute a significant change affecting any matter contained in the Information Memorandum or a significant new matter, the inclusion of information in respect of which would have been so required if it had arisen at the time when the Information Memorandum was prepared and consequently trigger the need for a supplement to the Information Memorandum under the rules of Euronext Dublin.]

[No person has been authorised to give any information or make any representation not contained in or not consistent with this Pricing Supplement, or any other information supplied in connection with the N&C Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any Dealer.]

[By investing in the N&C Securities each investor 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 N&C Securities and as to whether the investment in the N&C Securities is appropriate or proper

¹⁰ Include for Bearer N&C Securities, Permanently Restricted N&C Securities or any other N&C Securities that have otherwise 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.

for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer 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 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 nor any Dealer is acting as fiduciary for or adviser to it in respect of the investment in the N&C Securities.]

- | | | |
|----|---|--|
| 1. | Issuer: | Santander UK plc |
| 2. | 2.1 Type of N&C Security: | [Note]/[Certificate] |
| | 2.2 Series Number: | [●] |
| | 2.3 [(a)] Tranche Number: | [●] |
| | [(b)] 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 <i>[identify earlier Tranches]</i> 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 35 below, which is expected to occur on or about <i>[insert date]]</i>] ¹¹ |
| | 2.4 Trading Method: | [Nominal] / [Unit] |
| | 2.5 Applicable Annex(es): | [Not Applicable] / [Equity Index] / [Inflation Index] / <i>[specify other]</i>

<i>(N.B. more than one Annex may apply)</i> |
| 3. | Specified Currency or Currencies: | [●] |
| 4. | [Aggregate Nominal Amount] / [Aggregate Issue Size]: | |
| | 4.1 Series: | [●] ¹² |
| | 4.2 Tranche: | [●] ¹³ |
| | [4.3] Nominal Amount per Unit: | For calculation purposes only, each Unit shall be deemed to have a nominal amount of [●].

<i>(If the N&C Securities are not traded by unit, delete this item)</i> ¹⁴ |
| 5. | [5.1] [Issue Price] / [Unit Issue Price] for | [[●] per cent. of the Aggregate Nominal Amount] / [[●] <i>[Insert currency]</i> per Unit (the "Issue Price")] [plus |

¹¹ Delete if not applicable.

¹² For N&C Securities issued by Unit, "Aggregate Issue Size" should be specified and expressed as a number of Units.

¹³ For N&C Securities issued by Unit, "Aggregate Issue Size" should be specified and expressed as a number of Units.

¹⁴ For N&C Securities issued by Unit only.

Tranche:¹⁵

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 Issue Price specified [in/at [paragraph [[●]]] 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 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, 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 Directive 2014/65/EU on markets in financial instruments (as amended, "MiFID II"), 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

(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)*¹⁶

6. [6.1] Specified Denominations:

[●]

[Where Bearer N&C Securities and multiple denominations above €100,000 or its equivalent in another currency are being used, the following sample

¹⁵ 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.

¹⁶ The Aggregate Proceeds Amount should be an amount equal to the Aggregate Issue Size multiplied by the Unit Issue Price.

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].]

(If N&C Securities are not traded by nominal amount, delete this item)

6.2 [Minimum Tradeable Size: [€100,000]¹⁷ [[●] Units and in multiples of [●] Unit[s] (the "**Multiple Tradeable Size**") in excess thereof.]¹⁸

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]

7.2 Interest Commencement Date (if [specify date] / [Not Applicable]
different from the Issue Date):

(NB: An Interest Commencement Date will not be relevant for certain types 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]
[Dual Currency N&C Securities]
[Cross Asset Linked N&C Security;
(specify each relevant Type as follows):]
[Equity Index Linked N&C Security]
[Inflation Index Linked N&C Security]
[Interest Rate Linked N&C Security]
[specify other]
(Specify all N&C Security types which apply)

9. Maturity Date: [For Fixed Rate N&C Security/any other N&C Security other than a Floating Rate N&C Security (and unless otherwise specified below) – 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]]]

¹⁷ Insert for N&C Securities issued by nominal amount only.

¹⁸ Insert for N&C Securities issued by unit only.

[For Equity Index 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 Annex and this Pricing Supplement]

[For Inflation Index Linked N&C Securities, if applicable, insert: [●] (the "Scheduled Maturity Date"), subject to the provisions of the Inflation Index Annex and this Pricing Supplement]

10. Interest Basis: *[[●] per cent. Fixed Rate N&C Security]
[[Specify Reference Rate] +/- [●] per cent. Floating Rate N&C Security]
[Zero Coupon N&C Security]
[Dual Currency Interest N&C Security]
[Equity Index Linked Interest N&C Security]
[Inflation Index Linked Interest 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)]
[specify other]
(further particulars specified below)*
11. Redemption / Payment Basis: *[Redemption at par]
[Dual Currency Redemption N&C Security]
[Partly Paid N&C Security]
[Instalment N&C Security]
[Equity Index Linked Redemption N&C Security]
[Inflation Index Linked Redemption N&C Security]
[Interest Rate Linked N&C Security]
[Partial Redemption N&C Security]
[specify other]
(further particulars specified below)*
12. Change of Interest Basis or Redemption/ Payment Basis: *[Applicable] [if applicable, specify details of any provision for change of N&C Securities into another Interest Basis or Redemption/Payment Basis] / [Not Applicable]*
13. Put/Call Options: *[Not Applicable] / [Investor Put] / [Issuer Call]

[(further particulars specified below)]*
14. Status of N&C Securities: *Senior*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate N&C Security Provisions** *[Applicable] / [Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)*
- 15.1 Rate(s) of Interest/determination of interest: *[[●] per cent. [[per annum] [insert other] payable in arrear on each Interest Payment Date]] / [Not Applicable]*
- 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 37 below)

(NB: This will need to be amended in the case of long or short coupons)

- 15.3 Fixed Coupon Amount(s): [[●] per Calculation Amount] [payable on the Interest Payment Dates falling in [●]] / [Not Applicable]
(Applicable to N&C Securities in definitive form)
- 15.4 Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]] / [Not Applicable]
(Applicable to N&C Securities in definitive form)
[Insert particulars of any initial or final broken interest amounts per Calculation Amount which do not correspond with the Fixed Coupon Amount(s)]
- 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)]
[specify other]
[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] / [specify other] / [Not

		Applicable]
15.8	Additional Business Centre(s):	[●] / [Not Applicable]
15.9	Other terms relating to the method of calculating interest for Fixed Rate N&C Securities:	[Give details] / [Not Applicable]
16.	Floating Rate N&C Security Provisions	[Applicable] / [Not Applicable]
		<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
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]] [, subject to adjustment in accordance with the Business Day Convention set out below/not subject to any adjustment, as the Business Day Convention below is specified to be Not Applicable]
		<i>(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 37 below)</i>
16.2	Business Day Convention:	[Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention] / [specify other] / [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 / [specify other]]
		(further particulars specified below)
16.5	Party responsible for calculating the Rate of Interest and Interest Amount:	[Principal Paying Agent] [The Calculation Agent: See paragraph 44 below] / [specify other]
		<i>(Note: should always be the Calculation Agent if Bank of England Base Rate Determination applies)</i>
		[Address]
16.6	Screen Rate Determination:	[Applicable] / [Not Applicable]
		<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(a)	Reference Rate:	[[●] month LIBOR / EURIBOR] / [specify other Reference Rate]

- (Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)
- (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.] / [specify formula and other relevant provisions]
- 16.7 ISDA Determination: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining subparagraphs 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.] / [specify formula and other relevant provisions]
- 16.8 Linear Interpolation: [Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation] (specify for each short or long interest period)
- 16.9 Bank of England Base Rate Determination: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Designated Maturity: [Daily] [●]
- (b) Interest Determination Date: [●]
- (c) Relevant Screen Page: [Reuters UKBASE] [●]
- (d) Rate Multiplier: [Not Applicable] / [[●] per cent.] / [specify formula and other relevant provisions]
- 16.10 Margin(s): [+/-] [●] per cent. per annum
- 16.11 Minimum Rate of Interest: [●] per cent. per annum

- 16.12 Maximum Rate of Interest: [●] per cent. per annum
- 16.13 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)]
[specify other]
[unadjusted/adjusted]
[Not Applicable]
[(NB: Actual/Actual (ICMA) is normally only appropriate for Fixed Rate N&C Securities denominated in euros)]
- 16.14 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]
- 16.15 Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate N&C Securities, if different from those set out in the N&C Security Conditions: [give details] [Not Applicable]
17. **Zero Coupon N&C Security Provisions** [Applicable] / [Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)
- 17.1 Accrual Yield: [●] per cent. per annum
- 17.2 Reference Price: [●] [per cent. of the Calculation Amount]
- 17.3 Any other formula / basis of determining amount payable for Zero Coupon N&C Securities: [●]
- 17.4 Day Count Fraction in relation to Early Redemption Amounts: [30/360]/[Actual/360]/[Actual/365]/[specify other – in which case amend N&C Security Condition 6.8]
18. **Dual Currency N&C Security Provisions** [Applicable] / [Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)
- 18.1 Rate(s) of Exchange / method of calculating Rate(s) of Exchange: [●]
- 18.2 Party, if any, responsible for calculating the principal and/or [The Calculation Agent: see paragraph [44 below]] / [specify other]

- interest payable:
- 18.3 Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest payable where calculation by reference to Rate of Exchange impossible or impracticable: [●] *[Need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- 18.4 Day Count Fraction: [Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 30E/360 (ISDA) / *[specify other]*]
- 18.5 If redeemable in part:
- (a) Minimum Redemption Amount: [●]
- (b) Maximum Redemption Amount: [●]
- 18.6 Notice period: [●]
- 18.7 Person at whose option Specified Currency(ies) is/are payable: [●]
19. **Other Variable Interest Rate N&C Security Provisions** [Applicable] / [Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- 19.1 Type of Variable Interest Rate N&C Securities: [Equity Index Linked Interest N&C Security] [Inflation Index Linked Interest N&C Security] [Partial Redemption N&C Security] *(may be specified, together with Equity Index Linked Interest N&C Security)* [*specify other*]
- 19.2 Formula for calculating interest rate including provisions for determining coupon where calculation by reference to the underlying is impossible or impracticable and other back up provision: [*Specify and/or give annex details in the case of Equity Index Linked Interest N&C Securities or Inflation Index Linked Interest N&C Securities*]/[Not Applicable]
- 19.3 Specified Period(s) / Specified Interest Payment Dates: [[●] [in each year from (and including) [●] and up to (and including) the Maturity Date]] / [*specify other*]
- 19.4 Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/[*specify other*]
- 19.5 Additional Business Centre(s): [●]/[Not Applicable]
- 19.6 Minimum Rate of Interest: [[●] per cent. per annum] [Not Applicable]
- 19.7 Maximum Rate of Interest: [[●] per cent. per annum] [Not Applicable]
- 19.8 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)]
 [*specify other*]
 [adjusted / unadjusted]
 [Not Applicable]
 [(NB: Actual/Actual (ICMA) is normally only appropriate for Fixed Rate N&C Securities denominated in euros)]
- 19.9 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]*
- 19.10 Other terms or special conditions: [*For additional Equity Index Linked Interest provisions, insert: See [Paragraph 30 below] / [Equity Index Annex (Equity Index Linked Conditions) contained herein]*]
- [For additional Inflation Index Linked Interest provisions, insert: See [Paragraph 31 below] / [Inflation Index Linked Annex (Inflation Index Linked Conditions) contained herein]*]
20. **Interest provisions in respect of Partial Redemption N&C Securities:** *(for the purpose of interest determined in respect of the Partial Redemption Nominal Percentage only)* [Applicable] [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- 20.1 Partial Rate(s) of Interest: [●] per cent. [per annum] payable in arrear on each Partial Interest Payment Date
- 20.2 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 20.7 below. 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 37 below)*
- (NB: This will need to be amended in the case of*

irregular coupons)

- 20.3 Partial Fixed Coupon Amount(s): per Calculation Amount/[Not Applicable]
(Applicable to N&C Securities in definitive form)
- 20.4 Partial Broken Amount(s): per Calculation Amount, payable on the Partial Interest Payment Date falling [in/on] /[Not Applicable]
(Applicable to N&C Securities in definitive form)
- 20.5 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]
[specify other]
[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)

- 20.6 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)*
- 20.7 Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/[Not Applicable]
- 20.8 Additional Business Centre(s): /[Not Applicable]

PROVISIONS RELATING TO REDEMPTION

21. Issuer Call [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- 21.1 Optional Redemption Date(s):
- 21.2 Optional Redemption Amount and method, if any, of calculation of such amount(s): per cent. per Calculation Amount] / [specify other]

- 21.3 If redeemable in part:
- (a) Minimum Redemption Amount: / [Not Applicable]
- (b) Maximum Redemption Amount: / [Not Applicable]
- 21.4 Notice period (if other than as set out in the N&C Security Conditions): / [Not Applicable]
- [N.B. If setting notice periods which are different from those provided in the N&C Security Conditions, 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]*
22. Issuer Regulatory Call: / [Not Applicable]
23. Notice periods for Issuer Illegality Call, Issuer Regulatory Call and Issuer Tax Call (if other than as set out in the N&C Security Conditions): / [Not Applicable]
- [N.B. If setting notice periods which are different from those provided in the N&C Security Conditions, 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]*
24. Investor Put: / [Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- 24.1 Optional Redemption Date(s):
- 24.2 Optional Redemption Amount and method, if any, of calculation of such amount(s): per cent. per Calculation Amount] / *[specify other]*
- 24.3 Notice period (if other than as set out in the N&C Security Conditions): / [Not Applicable]
- [N.B. If setting notice periods which are different from those provided in the N&C Security Conditions, 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/Registrar]*
- 24.4 Other conditions:

(insert any conditions which must be satisfied prior to exercise of Investor Put)

25. Final Redemption Amount: [per Calculation Amount] / [Not Applicable] / [specify other] / [see Appendix]

(Consider whether rounding provisions in Conditions should be amended)

[For Equity Index Linked Redemption N&C Securities insert: For additional Equity Index Linked Redemption provisions see Paragraph 30 below]

[For Inflation Index Linked Redemption N&C Securities insert: For additional Inflation Index Linked Redemption provisions see Paragraph 31 below]

[For Interest Rate Linked N&C Securities insert: For additional Interest Rate Linked N&C Security provisions see Paragraph 32 below]

*[For Partial Redemption N&C Securities insert: For additional Partial Redemption N&C Security provisions see Paragraph 33 below]. [Insert applicable redemption provisions here. NB For Partial Redemption N&C Securities, the Final Redemption Amount should always be equal to "Calculation Amount * Outstanding Partial Redemption Nominal Percentage*[insert amount/structured payout]"]*

26. Early Redemption Events

26.1 Issuer Illegality Call [Applicable] / [Not Applicable]

26.2 Issuer Tax Call [Applicable] / [Not Applicable]

27. Early Redemption Amount payable on redemption for illegality (N&C Security Condition 6.4 *(Redemption for illegality)*), Regulatory Redemption Event (N&C Security Condition 6.5 *(Regulatory Redemption Event)*), redemption for tax reasons (N&C Security Condition 6.6 *(Redemption for tax reasons)*), redemption for an Administrator/Benchmark Event (N&C Security Condition 6.7 *(Redemption or adjustment for an Administrator/Benchmark Event)*), on an Event of Default (N&C Security Condition 9 *(Events of Default)*) or in any other circumstances specified in the N&C Security Conditions and/or the relevant Annex and/or the method of calculating the same (if required or if different from that set out in Condition 6.8 *(Redemption and Purchase – Early Redemption Amounts)*):

(NB. To be specified per Calculation Amount or per unit, as applicable)

28. Automatic Early Redemption Event(s): [Applicable] / [Not Applicable]

(If applicable and Target Redemption Event, Knock-in Event and Knock-out Event are not applicable, specify

(i) Automatic Early Redemption Event, (ii) Automatic Early Redemption Amount and (iii) Automatic Early Redemption Date(s).)

[Insert in respect of Partial Redemption N&C Securities, amended as appropriate: Subject to any prior purchase and cancellation or early redemption, each N&C Security will be early redeemed, in part, such part representing the Final Redemption Amount and final instalment in respect of N&C Securities, at the Automatic Early Redemption Amount which will be equal to the Autocallable Amount on the relevant Early Redemption Date in [Specified Currency] if the Calculation Agent determines that [Barrier Condition/Knock-in/out] Event is satisfied.

"Autocallable Amount" means the Outstanding Partial Redemption Nominal Percentage multiplied by Calculation Amount.

["Barrier Condition" means [specify]]

[specify other, as necessary]]

28.1 Target Redemption Event:

[Applicable] / [Not Applicable]

(If applicable, give details, including Automatic Early Redemption Amount and Automatic Early Redemption Date)

28.2 Knock-in Event

[Applicable] / [Not Applicable]

(If applicable, give details, including Automatic Early Redemption Amount. If not applicable, delete the remaining sub-paragraphs)

(a) Knock-in Level

[●]

(b) Automatic Early Redemption Date(s):

[●]

28.3 Knock-out Event

[Applicable] / [Not Applicable]

(If applicable, give details, including Automatic Early Redemption Amount. If not applicable, delete the remaining sub-paragraphs)

(a) Knock-out Level:

[●]

(b) Automatic Early Redemption Date(s):

[●]

28.4 Other terms or special conditions:

[●] / [Not Applicable]

[If applicable, give details]

29. **Key Dates relating to Variable Interest Rate N&C Securities and/or Variable Redemption N&C Securities**

[Applicable] / [Not Applicable]

(Only applicable for Equity Index Linked N&C Securities and/or Inflation Index Linked N&C Securities)

(if not applicable delete the remainder of this

- paragraph)*
- 29.1 Trade Date: [●]
- 29.2 Valuation Date [●] / [Not Applicable]
- 29.3 Initial Valuation Date: [●] / [Not Applicable]
- 29.4 Scheduled Observation Date(s): [●] / [Not Applicable]
- 29.5 Observation Period: [●] / [Not Applicable]
- 29.6 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.]
- 29.7 Equity Index Cut-off Date: [●] / [Not Applicable]
- [Specify calendar date (e.g. that is at least 10 Business Days prior to Scheduled Maturity Date)]*
- 29.8 Final Valuation Date: [●] / [Not Applicable]
- 29.9 Specified Maximum Days of Disruption: [See [[Equity Index Linked Condition 7] (for Equity Index Linked N&C Securities)] / [[Specify number] [Scheduled Trading Days (for Equity Index Linked N&C Securities)] / [Not Applicable]
30. **Additional provisions relating to Equity Index Linked N&C Securities** [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- 30.1 Whether the N&C Securities relate to single index or a basket containing one or more indices and the identity of each relevant Index: [Single index] / [Basket containing one or more indices]
- 30.2 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 30.2 -30.6 inclusive and include the relevant information in a tabular format.)*
- 30.3 Index Level: [Opening Level] / [Intraday Level] / [Observation Level] / [Closing Level] / [specify other]
- 30.4 Exchange(s): [The relevant Exchange[s] [is/are] [●]]

- 30.5 Related Exchange: [specify] / [All Exchanges]
- 30.6 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 Level.]
- 30.7 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: further definition to be included for assets other than Equity Indices*)
- 30.8 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: further definition to be included for assets other than Equity Indices*)
- 30.9 Additional Disruption Events: [Applicable] / [Not Applicable: the provisions of Equity Index Linked Condition 5 do not apply] (*if not applicable, delete the remaining parts of this item 30.9*)
- (a) Elected Events Only: [Applicable] / [Not Applicable]
- (b) [The following Additional Disruption Events apply to the N&C Securities: [Change in Law 1] [Change in Law 2] [Hedging Disruption] [Increased Cost of Hedging] [Increased Cost of Stock Borrow] [Loss of Stock Borrow] [Specified Additional Disruption Event]]
- (*NB: delete this item (b) if "Elected Events Only" is specified as Not Applicable*)
- (c) [Specified Additional Disruption Events: [Applicable] / [Not Applicable]] (*If applicable, specify any additional events not set out in the Equity Index Annex and give details*)
- (d) [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*)
- (e) [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*)
- (f) Other terms or special conditions: [●]

- 30.10 Additional Index Adjustment Events: [Applicable] / [Not Applicable] *(If applicable, specify, Additional Index Adjustment Events, including consequences)*
- 30.11 Other terms or special conditions: [●]
- 30.12 Equity Index Linked Condition 3.2(c)(C): [Applicable] / [Not Applicable]
- 30.13 Equity Index Linked Condition 5.2(a)(ii)(B): [Applicable] / [Not Applicable]
31. **Additional provisions relating to Inflation Index Linked N&C Securities** [Applicable] / [Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- 31.1 Inflation Index/Inflation Indices: [●]
*(Give details of index/indices. In case of more than one Inflation Index, repeat the prompts set out in items 31.1 – 31.7 inclusive and include the relevant information. In this case immediately before such items set out the title: **Information in relation to [name of Inflation Index]**)*
- 31.2 Inflation Index Sponsor(s): [●]
- 31.3 Reference source(s): [●]
- 31.4 Related Bond: [Applicable] / [Not Applicable]
The Related Bond is: [●] [Fallback Bond]
The issuer of the Related Bond is: [●]
- 31.5 Fallback Bond: [Applicable] / [Not Applicable]
- 31.6 Observation Level: [specify details]
- 31.7 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 31.7(a) to (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)
- 31.8 Additional Disruption Events: (a) [The following Additional Disruption Events apply to the N&C Securities: [Change in Law] [./and] [Hedging Disruption] [./and] [Increased Cost of Hedging] [./and] [Specified Additional

- Disruption Event]]/[Not Applicable: the provisions of Inflation Index Linked Condition 4 do not apply]/[specify other]
- (b) [Specified Additional Disruption Events: [Applicable] / [Not Applicable]] (If applicable, specify any additional events and give details)
- 31.9 Other terms or special conditions: [●]
32. **Additional Provisions relating to Interest Rate Linked N&C Securities**
- 32.1 Fixed Income Benchmark [Applicable: A Rate of Interest is to be determined in accordance with N&C Security Condition 4.9] / [Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)
- 32.2 Additional Business Centre(s): [●] / [Not Applicable]
- 32.3 Manner in which the Rate of Interest is to be determined: [Screen Rate Determination / ISDA Determination / Bank of England Base Rate Determination]
- (further particulars specified below)
- 32.4 Screen Rate Determination: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Interest Determination Date(s): [●]
- (b) Reference Rate: [●] month LIBOR / EURIBOR / [specify other]
- (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)
- 32.5 ISDA Determination: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Reset Date(s): [●]
- (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (b) Floating Rate Option: [●]
- (c) Designated Maturity: [●]
- 32.6 Bank of England Base Rate Determination: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Designated Maturity: [Daily] [●]
- (b) Relevant Screen Page: [Reuters UKBASE] [●]
- 32.7 Margin(s): [+/-] [●] per cent. per annum
- 32.8 Minimum Rate of Interest: [●] per cent. per annum
- 32.9 Maximum Rate of Interest: [●] per cent. per annum
33. **Redemption provisions relating to Partial Redemption N&C Securities** [Applicable] [Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- 33.1 Partial Redemption Amount: [Insert amount] per N&C Security (N.B. Should equal Partial Redemption Nominal Percentage multiplied by Calculation Amount)
- : 33.2 Partial Redemption Date [specify date]
- 33.3 Partial Redemption Nominal Percentage: [specify percentage] (N.B. together, Partial Redemption Nominal Percentage plus Outstanding Partial Redemption Nominal Percentage should equal 100 per cent. This part represents the fixed interest part)
- 33.4 Outstanding Partial Redemption Nominal Percentage: [specify percentage] (N.B. This part represents the variable interest part)

GENERAL PROVISIONS APPLICABLE TO THE N&C SECURITIES

34. Section 871(m) U.S. withholding tax: [The N&C Securities are [not] Specified N&C Securities for purposes of Section 871(m) of the U.S. Internal Revenue Code of 1986. [Additional information regarding the application of Section 871(m) to the N&C Securities will be available from [give name(s) and address(es) of Issuer contact].]] [As at the date of this Pricing Supplement, the Issuer has not determined whether the N&C Securities are Specified N&C Securities for purposes of Section 871(m) of the U.S. Internal Revenue Code of 1986; however, indicatively it considers that they will [not] be Specified N&C Securities for these purposes. This is indicative information only subject to change and if the Issuer's final determination is different then it will give notice of such determination. Please contact [name(s) and address(es) of Issuer contact] for further information regarding the application of Section 871(m) to the N&C Securities.]¹⁹
- (The N&C Securities will not be Specified N&C Securities if they (i) are issued prior to 1 January 2019 and are not "delta-one" for U.S. tax purposes or (ii) do not reference any U.S. equity or any index that contains any component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities. If the N&C Securities reference a U.S. equity or an*

¹⁹ This formulation to be used if the Issuer has not made a determination regarding whether the N&C Securities are Specified N&C Securities as of the date of this Pricing Supplement.

index that contains a component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities and (i) are issued prior to 1 January 2019 and provide a return that does not differ significantly from the return on an investment in the underlying, or (ii) are issued on or after 1 January 2019, further analysis would be required.)

35. Form of N&C Securities:

35.1 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 Information Memorandum and the N&C Securities themselves. N.B. The exchange upon notice at any time option 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: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€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 Bearer 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.)

[N&C Securities shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]²⁰

(Bearer N&C Securities may not be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, at any time within the

²⁰

Include for N&C Securities that are to be offered in Belgium.

United States or to, or for the account or benefit of, a U.S. Person.)

[Immobilised Bearer N&C Securities:

[Regulation S Global N&C Security held by the Book-Entry Depository and European CDIs registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg]]

[Permanently Restricted Global N&C Security held by the Book-Entry Depository and Permanently Restricted CDIs registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg]]

(Immobilised Bearer N&C Securities that may not be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly at any time within the United States or to, or for the account or benefit of, a U.S. Person must be issued in the form of Permanently Restricted Global N&C Securities.)

(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**").]

- 35.2 New Global Note: [Yes] / [No]
36. Additional Financial Centre(s): London / [give details]
- (Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 15.8, 16.3, 19.5 and 20.8 relate.)*
37. Payment Day Convention: [Following] / [Modified Following] / [Preceding]
- (NB: If no Payment Day Convention is specified, "Following" will apply)*
38. 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]
39. Talons for future Receipts to be attached to Definitive Bearer N&C Securities (and dates on which such Talons mature): [Yes] / [No]
- (If yes, give details e.g. Talons will be issued if required and mature as of the date on which the last Receipt on any definitive N&C Security falls due)*
40. Details relating to Partly Paid N&C Securities: [Not Applicable] / [give details, including relevant further conditions relating to the Partly-Paid N&C

- Securities (e.g. interest, early redemption, redemption, subscription procedures, subscription amounts and/or timings) and annex to this Pricing Supplement, where appropriate, any related notices including any form of subscription amount notice]*
- 40.1 Amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the N&C Securities and interest due on late payment: *[N.B. new form of temporary Bearer Global N&C Security and/or permanent Bearer Global N&C Security may be required for Partly Paid issue]*
(N.B. Partly Paid N&C Securities may not be offered, sold, transferred, pledged or delivered in the United States or to, or for the benefit of, any U.S. Person.)
- 40.2 Part Payment Date(s): [●]
- 40.3 Part Payment Amount(s): [●]
41. Details relating to Instalment N&C Securities: [Applicable] / [Not Applicable] / [give details]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
(N.B. Instalment N&C Securities may not be offered, sold, transferred, pledged or delivered in the United States or to, or for the benefit of, any U.S. Person.)
- 41.1 Instalment Amount(s): [●]
- 41.2 Instalment Date(s): [●]
42. Redenomination, renominalisation and reconventioning provisions: Redenomination [not] applicable
[If applicable,
The provisions annexed to this Pricing Supplement apply.]
(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)
43. Rounding Convention: [Rounded up] / [Rounded down] / [Not Applicable]
(if another rounding convention is required, amend N&C Security Condition 5.8)
44. Calculation Agent: [Santander UK plc
2 Triton Square
Regent's Place
London NW1 3AN
United Kingdom]
[specify other, including address]
45. Any Conditions additional to, or modified from, those set forth in the Information Memorandum: [●] / [See Annex] / [Not Applicable]
(When adding any other terms and conditions consideration should be given as to whether such terms and conditions constitute a significant change affecting any matter contained in the Information Memorandum or a significant new matter, the inclusion of

information in respect of which would have been so required if it had arisen at the time when the Information Memorandum was prepared and consequently trigger the need for a supplement to the Information Memorandum under the rules of Euronext Dublin.)

DISTRIBUTION

46. Method of distribution: [Syndicated/Non-syndicated]
47. (i) If syndicated, names of Managers: [Not Applicable] / [give names of each entity acting as underwriter]
- (ii) Date of Subscription Agreement: [●]
- (iii) Stabilisation Manager(s) (if any): [Not Applicable] / [give name]
48. If non-syndicated, name of relevant Dealer: [Not Applicable] / [give name]

[In connection with the issue of any Tranche of N&C Securities, the relevant Dealer (if any) named as the stabilisation manager (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement or Information Memorandum (as the case may be) (the "**Stabilisation Manager**") may over-allot 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, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the pricing supplement of the offer of the Tranche of N&C Securities is made and, if begun, may cease 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.]

49. 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 (as defined above) 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 N&C Securities that (i) it will not at any time offer, sell, resell or deliver, directly or indirectly, such 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 and (ii) it is not purchasing any N&C Securities for the account or benefit of any U.S. Person.

The N&C Securities may not be legally or beneficially

owned at any time by any U.S. Person (as defined above) and accordingly are only being offered and sold in offshore transactions outside the United States to non-U.S. Persons in reliance on Regulation S. 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.] *(Include the preceding two paragraphs for an issuance of Bearer N&C Securities or Permanently Restricted N&C Securities)*

[The N&C Securities have not been and will not be registered under 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, any U.S. Person (as defined above) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. 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 CEA (as defined above) and trading in the N&C Securities has not been approved by the CFTC (as defined above) pursuant to the CEA.] *(Include this paragraph for issuance of Immobilised Bearer N&C Securities pursuant to Regulation S (that are not determined to be permanently prohibited from being offered, sold, resold, transferred, pledged or delivered in the United States).)*

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)*

50. Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (If the N&C Securities clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the N&C Securities may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)*
51. Additional selling restrictions: [Not Applicable]/[give details]
52. **TERMS AND CONDITIONS OF THE ISSUE**
- 52.1 Details of the minimum and/or maximum amount of application: [Not Applicable]/[give details]
- 52.2 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.]*

LISTING AND ADMISSION TO TRADING APPLICATION

This Pricing Supplement comprises the pricing supplement required for issue [and] admission to trading on [*specify relevant market (for example, Euronext Dublin's Global Exchange Market) and, if relevant, admission to an official list (for example, the Official List of Euronext Dublin)*] of N&C Securities described herein pursuant to the Global Structured Solutions Programme of Santander UK plc.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement. [*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By:

.....

Duly authorised

PART B – OTHER INFORMATION

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 the Official List of Euronext Dublin and trading on the Global Exchange Market of Euronext Dublin with effect from [●] [the Issue Date].]

(Specify any other listing if applicable – note this must not be a regulated market)

[Not Applicable]

(Where documenting a fungible issue, indication must be given that the original N&C Securities are already admitted to trading.)

1.2 Estimate of total expenses related to admission to trading: [●]

2. 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)].]

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

[Save for any fees payable to the Dealer [and [specify names of other financial intermediaries/placers making offers or consider including a generic description of such other parties involved in offers]], 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 a significant change affecting any matter contained in the Information Memorandum or a significant new matter, the inclusion of information in respect of which would have been so required if it had arisen at the time when the Information Memorandum was prepared and consequently trigger the need for a supplement to the Information Memorandum under the rules of Euronext Dublin.)

4. USE OF PROCEEDS, ESTIMATED NET PROCEEDS

4.1 Use of Proceeds: [See "Use of Proceeds" in the Information Memorandum]

(or if the use of proceeds is different to that specified in the Information Memorandum, please specify)

(When adding any other description, consideration should be given as to whether such matters described constitute a significant change affecting any matter contained in the Information Memorandum or a significant new matter, the inclusion of information in respect of which would have been so required if it had arisen at the time when the Information Memorandum was prepared and consequently trigger the need for a

supplement to the Information Memorandum under the rules of Euronext Dublin.)

- 4.2 Estimated net proceeds: [●]
5. **OPERATIONAL INFORMATION**
- 5.1 ISIN: [●]
- 5.2 Common Code: [●]
- (insert here any other relevant codes such as CINS number)*
- 5.3 CFI [●]
- 5.4 FISN [●]
- 5.3 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]
- 5.4 Delivery: Delivery [against/free of] payment
- 5.5 Names and addresses of additional Paying Agent(s) (if any): [●]/[Not Applicable]
- 5.6 Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] / [No]
[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 Bearer Global N&C Securities are deposited with an ICSD, the Bearer Global N&C Securities must be issued in NGN form.)*
- [No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem 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 intraday 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.]

- 5.7 Governing law: English
- 5.8 Additional investment considerations: [Applicable. See Annex [●] contained herein]
[Not Applicable]
[If applicable, set out in an annex all additional risk factors or other investment considerations applicable to the particular Tranche of N&C Securities to be issued.]

6. **POST-ISSUANCE INFORMATION**

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].

[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]²¹. 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 [specify names of other financial intermediaries/placers making offers or consider including a generic description of such other parties involved in offers] (the "**Financial Intermediaries**")]. 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) [or Financial Intermediaries] in accordance with the arrangements in place between any such Dealer [or any such Financial Intermediary] and its customers.]

[In the case of Legended N&C Securities, additional disclosure to be inserted in relation to the Issuer, the reference asset or index (including further risk factors, disclosure relating to the relevant issuer, sponsor or obligor relating to the reference asset or index, where appropriate), product pricing and value, a description of the product, specific tax disclosure and/or such other disclosure as is appropriate in relation to the N&C Securities documented by this Pricing Supplement]

[Need to include details of where past and future performance and volatility of reference asset(s) can be obtained.]

[(The following language applies if the Pricing Supplement relates to N&C Securities that have been determined, based on issues arising under the CEA, as amended, not to be eligible for offer, sale, resale, transfer, pledge or delivery in the United States or to, or for the account or benefit of, U.S. Persons (as defined below).):

²¹ Delete as applicable depending on whether syndicated trade or not.

PART C – IMPORTANT NOTICE TO PURCHASERS AND TRANSFEREES

The N&C Securities have not been and will not be registered under the Securities Act or any applicable state securities laws. 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 CEA, and trading in the N&C Securities has not been approved by the CFTC pursuant to 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 (as defined below).

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 and 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 the CEA.

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 any person who is a "U.S. person" as defined in Regulation S under the Securities Act, the Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations promulgated by the CFTC pursuant to the CEA or a person other than a "Non-United States person" as defined in CFTC Rule 4.7 (each such person, a "**U.S. Person**").

Notice to Purchasers and Holders of Restricted N&C 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) 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 CEA, and trading in the N&C Securities has not been approved by the CFTC pursuant to the United States CEA;
- (b) 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;
- (c) it is not purchasing any N&C Securities for the account or benefit of any U.S. Person;
- (d) 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) 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 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 CEA and trading in the N&C Securities has not been approved by the CFTC pursuant to 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) no U.S. Person or person in the United States may at any time trade or maintain a position in the N&C Securities.]

FORM OF THE N&C SECURITIES

Words and expressions defined in the "Terms and Conditions of the N&C Securities" shall have the same meanings in this section.

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. Immobilised Bearer N&C Securities of certain issues may be issued through the Book-Entry Depository (as defined below) both outside the United States to non-U.S. Persons (as defined below) in reliance on Regulation S ("**Regulation S N&C Securities**"). Interests in (i) Bearer N&C Securities or (ii) Immobilised Bearer N&C Securities of certain issues ("**Permanently Restricted N&C Securities**") may only be offered and sold in offshore transactions outside the United States to non-U.S. Persons, 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, any U.S. Person and may not be legally or beneficially owned at any time by any U.S. Person.

Bearer N&C Securities

Each Tranche of Bearer N&C Securities will initially be 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 Pricing Supplement 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 Pricing Supplement, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**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 depository (the "**Common Depository**") for Euroclear and Clearstream, Luxembourg.

Where the Bearer Global N&C Securities issued in respect of any Tranche are in NGN form, the applicable Pricing Supplement will also indicate whether such Bearer Global N&C Securities are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Bearer Global N&C Securities are to be so held does not necessarily mean that the N&C 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 Pricing Supplement.

In the case of each Tranche of N&C Securities in bearer form the relevant Pricing Supplement will specify whether U.S. Treasury Regulation § 1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) ("**TEFRA C**") or U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) ("**TEFRA D**") apply in relation to the N&C Securities, or if the N&C Securities do not have a maturity of more than one year or if the N&C Securities are immobilised Bearer N&C Securities, 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 United States persons or persons who have purchased for resale to any United States person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or

Clearstream, Luxembourg, 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 may be exchangeable (free of charge) upon a request as described therein for:

- (i) interests in a Permanent Bearer Global N&C Security of the same Series (and which may be exchangeable for a Definitive Bearer N&C Security (subject to such notice period or upon the occurrence of an Exchange Event, as is specified in the applicable Pricing Supplement)); 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 Pricing Supplement and subject, in the case of Definitive Bearer N&C Securities, to such notice period as is specified in the applicable Pricing Supplement).

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 United States persons, as defined in the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder, 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 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 Pricing Supplement 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 (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 9 (*Events of Default*)) has occurred and is continuing;
- (2) the Issuer has been notified that 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 alternative clearing system satisfactory to the Issuer and the Principal Paying Agent is available; or

- (3) the Issuer 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 N&C Securityholders in accordance with N&C Security Condition 13 (*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 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 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 (other than Immobilised Bearer N&C Securities or Temporary Bearer Global N&C Securities), receipts, talons and interest coupons relating to such N&C Securities where TEFRA D is specified in the applicable Pricing Supplement:

"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.

Immobilised Bearer N&C Securities

To facilitate the issuance of N&C Securities which are to be eligible for sale into the United States to QIBs, the Issuer will arrange for N&C Securities to be issued as bearer securities in an immobilised form ("**Immobilised Bearer N&C Securities**"). The Immobilised Bearer N&C Securities of each Tranche offered and sold in reliance on Regulation S, which will be sold in offshore transactions to non-U.S. Persons outside the United States, will initially be represented by a global security in bearer form (a "**Regulation S Global N&C Security**"). If any N&C 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.

Interests in 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**" and, together with Regulation S Global N&C Securities, the "**Immobilised Bearer Global N&C Securities**"). 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 amended and restated N&C Securities Depositary Agreement dated 16 August 2018 (such agreement as amended and/or supplemented and/or further restated from time to time, the "**N&C Securities Depositary Agreement**") between the Issuer, Citibank, N.A., London Branch (the "**Book-Entry Depositary**"), Citibank, N.A., London Branch (the "**Custodian**") and Citigroup Global Markets Europe 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.

In respect of Immobilised Bearer Global N&C Securities to be settled through Euroclear and/or Clearstream, Luxembourg ("**Immobilised Bearer Global N&C Securities**" or "**Permanently Restricted Immobilised Bearer Global N&C Securities**", as the case may be) which are deposited with the Book-Entry Depositary, the Book-Entry Depositary will issue registered certificated depositary interests ("**European CDIs**" or "**Permanently Restricted CDIs**" and together, "**CDIs**", as the case may be) 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

Immobilised Bearer Global N&C Securities or the Permanently Restricted Immobilised Bearer Global N&C Securities deposited with the Book-Entry Depository (the "**European Book-Entry Interests**" or "**Permanently Restricted Book-Entry Interests**", respectively, and together, "**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. European 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 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) the Issuer has been notified that (x) either Euroclear or Clearstream, Luxembourg is unwilling or unable to continue to act as depository 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 Depository is at any time unwilling or unable to continue as Book-Entry Depository in respect of any Immobilised Bearer N&C Securities or its appointment as such under the N&C Securities Depository 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 N&C Securityholders in accordance with N&C Security Condition 13 (*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 legend 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 Depository Agreement, the Immobilised Bearer Global N&C Securities may be transferred only to a successor to the relevant Book-Entry Depository.

Unless and until Book-Entry Interests are exchanged for N&C Securities in definitive registered form, the CDIs held by a nominee for the common depository 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, as described under "*Notice to Purchasers and Holders of N&C Securities and Transfer 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.

Subject to the foregoing, a Book-Entry Interest in one of the Immobilised Bearer Global N&C Securities may be transferred to a person who takes delivery thereof in the form of a Book-Entry Interest in another of the Immobilised Bearer Global N&C Securities (except for a Book-Entry Interest in a Permanently Restricted Global N&C Security) by means of an instruction originated through Euroclear or Clearstream, Luxembourg, as applicable. Any Book-Entry Interest that is so transferred will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Immobilised Bearer Global N&C Security and become a Book-Entry Interest in the other Immobilised Bearer Global N&C Security and will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Immobilised Bearer Global N&C Security for as long as it remains such a Book-Entry Interest. In connection with such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount at maturity of the first-mentioned Immobilised Bearer Global N&C Security and a corresponding increase in the principal amount at maturity of the other Immobilised Bearer Global N&C Security, as applicable. A Book-Entry Interest in a Permanently Restricted Global N&C Security may not be transferred to a person who takes delivery thereof in the form of a Book-Entry Interest in any other of the Immobilised Bearer Global N&C Securities and vice versa. Accordingly, a Book-Entry Interest in a 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, except as otherwise determined by the Issuer in compliance with applicable law, be subject to the restrictions described under "*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*" and will bear the legend referred to thereunder.

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 "*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*" and "*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 CINS number which is different from the common code, ISIN 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.

An N&C Security may be accelerated by the holder thereof in certain circumstances described in N&C Security Condition 9 (*Events of Default*). In such circumstances, where any N&C Security is still represented by a Global N&C Security and the Global N&C Security (or any part thereof) has become due and repayable in accordance with the General Terms and Conditions of the N&C Securities and payment in full of the amount due has not been made in accordance with the provisions of the Global N&C Security then from 8.00 p.m. (London time) on

such day holders of interests in such Global N&C Security credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of an amended and restated deed of covenant dated 16 August 2018 (the "**Deed of Covenant**") and executed by the Issuer.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer and the Principal Paying Agent or Registrar, as the case may be.

Any reference herein to Euroclear and/or Clearstream, Luxembourg 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 Pricing Supplement.

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 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 Principal Paying Agent and the Registrar.

The Issuer may agree with any Dealer that N&C Securities may be issued in a form not contemplated by the General Terms and Conditions of the N&C Securities.

USE OF PROCEEDS

The net proceeds from each issue of N&C 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 Pricing Supplement.

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 or Clearstream, Luxembourg (together, the "Clearance Systems") currently in effect. The information in this section concerning the Clearance Systems has been obtained from sources that the Issuer believes to be reliable. The Issuer accepts responsibility for the information contained in this section. The Issuer confirms that the information contained in this section has been accurately reproduced as far as the Issuer 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 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 N&C 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 and Clearstream, Luxembourg 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 and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

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

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 N&C Securities Represented by Global N&C Securities

Transfers of any interests in N&C Securities represented by a Global N&C 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 N&C 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 N&C 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 Agents or any Dealer will be responsible for any performance by Euroclear or Clearstream, Luxembourg or their respective Direct or Indirect Participants 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 N&C Securities represented by Global N&C 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 N&C 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 N&C Securities and the direct enforcement right in respect of the Underlying N&C Securities.

The CREST Depository Interests will represent indirect interests in the interest of the CREST Nominee in the Underlying N&C Securities. Pursuant to the CREST Manual (as defined below), N&C Securities held in global form by the Common Depository 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 N&C 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 N&C 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 N&C Securities on trust for such holder. Holders of CREST Depository Interests will also be able to receive from CREST notices of meetings of holders of Underlying N&C Securities and other relevant notices issued by the Issuer.

Transfers of interests in Underlying N&C 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 N&C Securities and will not require a separate admission to the Official List of Euronext Dublin.

Holders of CREST Depository Interests are referred to Chapter 8 of the CREST International 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 N&C Securities. The CREST Depository Interests are separate legal instruments from the Underlying N&C Securities to which they relate and represent an indirect interest in such Underlying N&C Securities;
- (ii) the Underlying N&C Securities themselves (as distinct from the CREST Depository Interests representing indirect interests in such Underlying N&C Securities) will be held in an account with a custodian. The custodian will hold the Underlying N&C Securities through a clearing system. Rights in the Underlying N&C Securities will be held through custodial and depository links through the appropriate clearing systems. The legal title to the Underlying N&C Securities or to interests in the Underlying N&C Securities will depend on the rules of the clearing system in or through which the Underlying N&C Securities are held;
- (iii) rights under the Underlying N&C 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 N&C Securities will therefore be subject to the local law of the relevant intermediary. The rights of holders of CREST Depository Interests to the Underlying N&C Securities are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying N&C Securities. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying N&C Securities in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying N&C 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 (January 2018) as amended, modified, varied or supplemented from time to time (which forms part of the the document entitled the 'CREST Manual' issued by CREST (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 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 bearer global form exchangeable for a Permanent Bearer Global N&C Security will not be eligible for CREST settlement as CREST Depository Interests.

As such, investors investing in the Underlying N&C 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 N&C Securities and is a summary of the Issuer's understanding of current law and published HM Revenue & 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 N&C Securities. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of the N&C 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 N&C Securityholders depends on their individual circumstances and may be subject to change in the future. The summaries set out below are general in nature, and may be subject in any given case to specific rules to the contrary or to anti-avoidance rules. The precise tax treatment of a N&C Securityholder in respect of a N&C Security will also depend for each issue on the terms of the N&C Security, as specified in the Terms and Conditions of the N&C Security as amended and supplemented by the applicable Pricing Supplement. Prospective N&C 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.

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.

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 are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of ITA 2007. Euronext Dublin is a recognised stock exchange. N&C Securities will be treated as listed on Euronext Dublin if they are admitted to the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market of Euronext Dublin. Provided, therefore, that the N&C Securities are and 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 which have a United Kingdom source 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).

References to "Interest" in this section means interest as that term is understood for United Kingdom tax purposes. Other considerations may apply to payments under the N&C Securities which are not treated as "interest" for such purposes.

Stamp Duty and Stamp Duty Reserve Tax ("SDRT") in respect of the N&C Securities

A charge to stamp duty or SDRT may, in certain circumstances, arise on the issue, transfer and/or settlement of N&C Securities and SDRT may also be payable in relation to any agreement to transfer N&C Securities. This will depend upon the Terms and Conditions of the relevant N&C Securities (as amended and supplemented by the applicable Pricing Supplement). N&C Securityholders should take their own advice from an appropriately qualified professional adviser in this regard.

2. Spanish Taxation

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Spain, though it is not intended to be, nor should it be construed to be, legal or tax advice. This section does not constitute a complete description of all the tax issues that may be relevant in making the decision to invest in the N&C Securities or of all the tax consequences that may derive from the subscription, acquisition, holding, transfer, redemption or reimbursement of the N&C Securities and does not purport to describe the tax consequences applicable to categories of investors subject to special tax rules. Prospective investors in the N&C Securities should therefore consult their own professional advisers as to the effects of state, regional or local law in Spain, to which they may be subject. This overview regarding Spanish taxes and withholding taxes in Spain is based upon Spanish law, as well as administrative interpretations, as in effect on the date of this Information Memorandum, which may change at any time, possibly with retrospective effect.

(A) Individuals with Tax Residence in Spain

(a) Personal Income Tax

Personal Income Tax is levied on an annual basis on the worldwide income obtained by Spanish resident individuals, whatever the source is and wherever the relevant payer is established. Therefore any income that Spanish N&C Securityholders may receive under the N&C Securities will be subject to Spanish taxation.

Both interest periodically received and income arising on the disposal, redemption or reimbursement of the N&C Securities obtained by individuals who are tax resident in Spain will be regarded as financial income for tax purposes (i.e. a return on investment derived from the transfer of own capital to third parties or capital gains/losses respectively).

Both types of income will be included in the savings part of the taxable income subject to Personal Income Tax and will be taxed at the following tax rates: (i) for financial income up to EUR 6,000: 19 per cent.; (ii) for financial income from EUR 6,001 to EUR 50,000: 21 per cent.; and (iii) for any amount in excess of EUR 50,000: 23 per cent.

Spanish N&C Securityholders shall compute the gross interest obtained in the savings part of the taxable base of the tax period in which it is due, including amounts withheld, if any. Expenses relating to the management and deposit of the N&C Securities, if any, will be tax-deductible, excluding those pertaining to discretionary or individual portfolio management.

Income/losses arising on the disposal, redemption or reimbursement of the N&C Securities will be calculated as the difference between: (a) their disposal, redemption or reimbursement value; and (b) their acquisition or subscription value. Costs and expenses effectively borne by the N&C Securityholder on the acquisition and transfer of the N&C Securities may be taken into account for calculating the relevant taxable income, provided that they can be duly justified.

Losses that may derive from the transfer of the N&C Securities cannot be offset if the investor acquires homogeneous securities within the two-month period, if listed in an official market or one year period otherwise, prior or subsequent to the transfer of the N&C Securities, until he/she transfers such homogeneous securities.

However, when certain income included in the taxpayer's taxable base has already been taxed abroad, the taxpayer shall be entitled to a tax credit against the Personal Income Tax taxable base for the lowest amount of the following: (i) the amount effectively paid abroad; and (ii) the amount resulting from applying the average tax rate to the taxable base effectively taxed abroad.

(b) *Wealth Tax*

Only individual N&C Securityholders may be taxable persons under Wealth Tax, which is levied each 31 December on their total net wealth.

Relevant taxpayers will be (i) individuals who have their habitual residence in Spain regardless of the place where their assets or rights are located or could be exercised; and (ii) non-Spanish resident individuals owning assets or rights which are located or could be exercised in Spain, when in both cases their net wealth is higher than EUR 700,000, as this amount is considered as exempt from Wealth Tax.

Taxpayers should include in their Wealth Tax self-assessment the N&C Securities for the following amounts (assuming they qualify as debt instruments):

- (A) if they are listed in an official market, the average negotiation value of the fourth quarter; and
- (B) in other case, its nominal value (including redemption premiums); as at 31 December.

General marginal tax rates currently range between 0.2 and 2.5 per cent., although the tax situation may vary depending on any applicable regional tax laws (Spanish regions are entitled to modify (i) the threshold of net wealth exempt from taxation; (ii) the tax rates; and (iii) the tax benefits and exemptions to be applied in their territory) and some reductions could apply.

Taxpayers who are non-Spanish resident individuals but who are resident in a Member State of the European Union or the European Economic Area may apply the rules approved by the autonomous region where the assets and rights with more value (i) are located, (ii) can be exercised or (iii) must be fulfilled.

(c) *Inheritance and Gift Tax*

Inheritance and Gift Tax is levied on the transfer of N&C Securities upon death or by gift to Spanish tax resident individuals, with the taxpayer being the transferee (i.e. heirs and donees). It is calculated taking into account several circumstances, such as the age and previous net worth of the heir or donee and the kinship with the deceased person or donor. General tax rates currently range between 7.65 and 34 per cent. depending on the particular circumstances, although the final tax payable may increase up to 81.6 per cent. This is nevertheless subject to the specific rules passed by the relevant Spanish regions with respect to this tax.

(B) Legal Entities with Tax Residence in Spain

Corporate Income Tax

Both interest periodically received and income arising on the disposal, redemption or reimbursement of the N&C Securities obtained by entities which are resident for tax purposes in Spain shall be computed as taxable income of the tax period in which they accrue.

The general tax rate is 25 per cent. Special rates apply in respect of certain types of entities (such as qualifying collective investment institutions).

However, when certain income included in the taxpayer's taxable base has already been taxed abroad, the taxpayer shall be entitled to a tax credit against the Corporate Income Tax taxable base for the lowest amount of the following: (i) the amount effectively paid abroad; and (ii) the amount resulting from applying the average tax rate to the taxable base effectively taxed abroad.

(C) Individuals and Legal Entities with no Tax Residence in Spain

A non-resident N&C Securityholder, who has a permanent establishment in Spain to which the N&C Securities are effectively connected with, is subject to Spanish Non-Resident Income Tax on any income under the N&C Securities, including both interest periodically received and income arising on the disposal, redemption or reimbursement of the N&C Securities. In general terms, the tax rules applicable to individuals and legal entities with no tax residence in Spain but acting through a permanent establishment in Spain are the same as those applicable to Spanish tax resident Corporate Income Tax payers (see "*Corporate Income Tax*" above).

Ownership of the N&C Securities by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

Income obtained by investors residing outside Spain and without a permanent establishment within the Spanish territory would not be considered, in general terms, as Spanish-source income and, therefore, would not be subject to taxation and withholding tax in Spain.

(D) Spanish withholding tax

Income earned under N&C Securities, both interest payments and income earned upon transfer or redemption of the N&C Securities, should be subject to Spanish withholding on account of Personal Income Tax or Corporate Income Tax at a 19 per cent. rate.

However, when the payer is a non-resident in Spain entity not acting through a permanent establishment it is not bound to withhold on account of Personal Income Tax nor Corporate Income Tax on payments made to Spanish resident individuals or Spanish resident entities. Notwithstanding the above, where a financial institution (either resident in Spain or acting through a permanent establishment in Spain) acts as depositary of the N&C Securities or intervenes as manager in the collection of any income under the N&C Securities, such financial institution will be responsible for making the relevant withholding on account of Spanish tax on any income deriving from the N&C Securities, provided that such income had not previously been subject to withholding tax in Spain.

Furthermore, such financial institution may become obliged to comply with the formalities set out in the Regulations on Spanish Personal Income Tax (Royal Decree 439/2007, of 30 March) and Corporate Income Tax (Royal Decree 634/2015, of 10 July) when intervening in the transfer or reimbursement of the N&C Securities.

Amounts withheld in Spain, if any, can be credited against the final Spanish Personal Income Tax liability, in the case of Spanish tax resident individual N&C Securityholders, or against the final Spanish Corporate Income Tax liability, in the case of Spanish corporate N&C Securityholders, or against the final Non-Resident Income Tax liability, in the case of a Spanish permanent establishment of a non-resident N&C Securityholder. However, N&C Securityholders who are Corporate Income Tax payers or Non-Resident Income Tax payers acting through a permanent establishment in Spain to which the N&C Securities are effectively connected can benefit from a withholding tax exemption in respect of interest payments and income arising from the transfer or redemption of the N&C Securities when these are listed on an OECD market. This would be the case as the N&C Securities are expected to trade on the Global Exchange Market of Euronext Dublin.

Similarly, when the N&C Securities (i) are represented in book-entry form and (ii) are admitted to trading on a Spanish secondary stock exchange or in the Spanish Alternative Fixed Income Market ("**MARF**"), holders who are Corporate Income Taxpayers can benefit from a withholding tax exemption (the "**Domestic Exemption**") in respect of income arising from the N&C Securities, exception made of income derived from accounts entered into with financial institutions, provided that such income were based on financial instruments, such as Notes and Certificates.

The Domestic Exemption is also applicable to income arising from the transfer or redemption of N&C Securities with an explicit yield obtained by Personal Income taxpayers. However, under certain circumstances, when a transfer of the N&C Securities has occurred within the 30-day period immediately preceding any relevant coupon payment date such holders may not be eligible for such withholding tax exemption.

(E) Indirect taxation

The acquisition, transfer, redemption, reimbursement and exchange of the N&C Securities, in principle, shall not trigger Transfer Tax and Stamp Duty, nor will they be taxable under Value Added Tax.

3. U.S. Dividend Equivalent Withholding

Section 871(m) of the U.S. Internal Revenue Code of 1986 (the "**Code**") treats a "dividend equivalent" payment as a dividend from sources within the United States that is generally subject to a 30 per cent. U.S. withholding tax which 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 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). U.S. Treasury regulations issued under Section 871(m) and applicable guidance (the "**Section 871(m) Regulations**") require withholding on certain non-U.S. holders of the N&C Securities with respect to amounts treated as dividend equivalent payments. Under the Section 871(m) Regulations, only an N&C Security that has an expected economic return sufficiently similar to that of the underlying U.S. security, based on tests set forth in the Section 871(m) Regulations, will be subject to the Section 871(m) withholding regime (making such N&C Security a "**Specified N&C Security**"). Certain exceptions to this withholding requirement apply, in particular for instruments linked to certain broad-based indices.

Withholding in respect of dividend equivalents will generally be required when cash payments are made on, or upon the date of maturity, lapse or other disposition of the Specified N&C Security. If the underlying U.S. security or securities are expected to pay dividends during the term of the Specified N&C Security, withholding generally will still be required even if the Specified N&C Security does not provide for payments explicitly linked to dividends. Additionally, the Issuer may withhold the full 30 per cent. tax on any payment on the N&C Securities in respect of any dividend equivalent arising with respect to such N&C Securities regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law (including, for the avoidance of doubt, where a non-U.S. holder is eligible for a reduced tax rate under an applicable tax treaty with the United States). A non-U.S. holder may be able to claim a refund of any excess withholding provided the required information is timely furnished to the U.S. Internal Revenue Service. Refund claims are subject to U.S. tax law requirements and there can be no assurance that a particular refund claim will be timely paid or paid at all. 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.

The Section 871(m) Regulations generally apply to Specified N&C Securities issued on or after 1 January 2017. If the terms of an N&C Security are subject to a "significant modification" (as defined for U.S. tax purposes), the N&C Security generally would be treated as retired and reissued on the date of such modification for the purposes of determining, based on economic conditions in effect at that time, whether such N&C Security is a Specified N&C Security. Similarly, if additional N&C Securities of the same series are issued (or deemed issued for U.S. tax purposes, such as certain sales of N&C Securities out of inventory) after the original issue date, the IRS could treat the issue date for determining whether the existing N&C Securities are Specified N&C Securities as the date of such subsequent sale or issuance. Consequently, a previously out of scope N&C Security, might be treated as a Specified N&C Security following such modification or further issuance.

In addition, payments on the Specified N&C Securities may be calculated by reference to dividends on underlying U.S. securities that are reinvested at a rate of 70 per cent. In such case, in calculating the relevant payment amount, the holder will be deemed to receive, and the Issuer will be deemed to withhold, 30 per cent. of any dividend equivalent payments (as defined in Section 871(m) of the Code) in respect of the relevant U.S. securities. The Issuer will not pay any additional amounts to the holder on account of the Section 871(m) amount deemed withheld.

The applicable Pricing Supplement will indicate whether the Issuer has determined that N&C Securities are Specified N&C Securities and may specify contact details for obtaining additional information regarding the application of Section 871(m) to such N&C Securities. A non-U.S. holder of Specified N&C Securities should expect to be subject to withholding in respect of any underlying dividend-paying U.S. securities. The Issuer's determination is binding on non-U.S. holders of N&C Securities, but it is not binding on the IRS. The Section 871(m) Regulations require complex calculations to be made with respect to N&C Securities linked to U.S. securities and their application to a specific issue of N&C Securities may be uncertain.

4. **EU Financial Transactions Tax**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transaction tax ("**FTT**" in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the N&C Securities (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal, 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 the N&C 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.

The European Commission was expected to present draft legislation for consideration by the participating Member States by the end of 2016, but this has not yet been published. The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains uncertain. Additional Member States may decide to participate.

Prospective holders of the N&C Securities are advised to seek their own professional advice in relation to the FTT.

CERTAIN ERISA CONSIDERATIONS

Unless otherwise provided in the applicable Pricing Supplement, the N&C Securities should be eligible for purchase by employee benefit plans and other plans subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and/or the provisions of section 4975 of the Code and by governmental, church and non-U.S. plans that are subject to state, local, other federal law of the United States or non-U.S. law that is substantially similar to ERISA or the Code ("**Similar Law**") subject to consideration of the issues described in this section. ERISA imposes certain requirements on "employee benefit plans" (as defined in section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under "*Risk Factors*".

Section 406 of ERISA and section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, the "**Plans**")) and certain persons (referred to as "**parties in interest**" or "**disqualified persons**") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person, including a Plan fiduciary, who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The Issuer, the Dealers, the Agents or any other party to the transactions referred to in this Information Memorandum may be parties in interest or disqualified persons with respect to many Plans. Prohibited transactions within the meaning of section 406 of ERISA or section 4975 of the Code may arise if any of the N&C Securities is acquired or held by a Plan, including but not limited to where the Issuer, the Dealers, the Agents or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of section 406 of ERISA and section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any N&C Securities and the circumstances under which such decision is made. Included among these exemptions are section 408(b)(17) of ERISA and section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption ("**PTCE**") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisors regarding the prohibited transaction rules and these exceptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any N&C Securities.

Governmental plans (as defined in section 3(32) of ERISA) and certain church plans (as defined in section 3(33) of ERISA) and non-U.S. plans (as described in section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of section 406 of ERISA and section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should consult with their counsel before purchasing the N&C Securities to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

Accordingly, except as otherwise provided in the applicable Pricing Supplement, each purchaser and subsequent transferee of any N&C Securities will be deemed by such purchase or acquisition of any such N&C Securities to have represented and warranted, on each day from the date on which the purchaser or transferee acquires such N&C Securities (or any interest therein) through and including the date on which the purchaser or transferee disposes of such N&C Securities (or any interest therein), either that (a) it is not a Plan or any entity whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, the assets of any Plan or a governmental, church or non-U.S. plan which is subject to any Similar Law or (b) its acquisition, holding and disposition of such N&C Securities (or any interest therein) will not constitute or result in a prohibited transaction under section 406 of ERISA or section 4975 of the Code (or, in the case of a governmental, church

or non-U.S. plan subject to Similar Law, a violation of any Similar Law) for which an exemption is not available.

Each Plan fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the N&C Securities should determine whether, under the documents and instruments governing the Plan, an investment in such N&C Securities is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio. Any Plan proposing to invest in such N&C Securities (including any governmental, church or non-U.S. plan) should consult with its counsel to confirm that such investment will not constitute or result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any Similar Law).

The sale of any N&C Securities to a Plan is in no respect a representation by the Issuer, the Dealers, the Agents or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

Any further ERISA considerations with respect to the N&C Securities may be found in the relevant Pricing Supplement.

NOTICE TO PURCHASERS AND HOLDERS OF N&C SECURITIES AND TRANSFER RESTRICTIONS

The N&C Securities have not been registered under the Securities Act or the securities laws of any state and have not been approved or disapproved by the SEC or any U.S. state securities authority. Neither the SEC nor any state securities authority in any other jurisdiction has passed upon the accuracy or adequacy of this Information Memorandum. 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 CEA, and trading in the N&C Securities has not been approved by the CFTC pursuant to the CEA. Any representation to the contrary is unlawful.

As a result of the following restrictions, purchasers of N&C Securities are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such N&C Securities.

Transfer Restrictions

Each purchaser of N&C Securities obtaining an interest in Immobilised Bearer N&C Securities will be deemed to have represented and agreed as follows:

- (1) In the case of Immobilised Bearer N&C Securities other than Permanently Restricted N&C Securities, it is purchasing the N&C Securities for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "foreign purchaser" (as defined in "*Subscription and Sale*" below) that is outside the United States (or a foreign purchaser that is a dealer or other fiduciary as referred to in "*Subscription and Sale*" below).
- (2) It acknowledges that the N&C Securities have not and will not be registered under the Securities Act or any other applicable U.S. state securities laws and the N&C Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in the case of Immobilised Bearer N&C Securities other than Permanently Restricted N&C Securities as set forth below.
- (3) It acknowledges that the Issuer has no obligation to register the N&C Securities under the Securities Act.
- (4) It will not resell or otherwise transfer any N&C Securities except (A) to the Issuer or any affiliate thereof, (B) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, or (C) in the case of Immobilised Bearer N&C Securities other than Permanently Restricted N&C Securities, (i) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (ii) pursuant to an effective registration statement under the Securities Act, in each case, in accordance with all applicable U.S. state securities laws.
- (5) If it holds an interest in a Bearer N&C Security or a Permanently Restricted N&C Global Security and if in the future it decides to resell, pledge or otherwise transfer such interest, it will do so only outside the United States in an offshore transaction in compliance with Rule 903 or 904 under the Securities Act to a person that is not a U.S. Person.
- (6) It will give to each person to whom it transfers N&C Securities notice of any restrictions on transfer of those N&C Securities.
- (7) Either (i) it is not and for so long as it holds N&C Securities (or any interest therein) will not be (A) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (B) a "plan" as defined in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), (C) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code, or (D) a governmental, church, non-U.S. or other employee benefit plan which is subject to any U.S. federal, state, local or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its acquisition, holding and disposition of the N&C Securities will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of such a governmental, church, non-U.S. or other employee benefit plan, a violation of any such substantially similar U.S. federal, state, local or non-U.S. law for which an exemption is not available.

- (8) It understands that the N&C Securities will be offered as follows:
- (a) interests in Immobilised Bearer N&C Securities that are not Permanently Restricted N&C Securities, outside the United States in offshore transactions to non-U.S. Persons pursuant to Regulation S in the form of European CDIs;
 - (b) interests in Permanently Restricted N&C Securities, outside the United States in offshore transactions to non-U.S. Persons pursuant to Regulation S in the form of Permanently Restricted CDIs, provided that such 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 directly or to, or for the account or benefit of, a U.S. Person; and
 - (c) interests in Bearer N&C Securities outside the United States, in offshore transactions to non-U.S. Persons pursuant to Regulation S, provided that such Bearer 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, a U.S. Person.
- (9) It understands that each of the N&C Securities will bear a legend substantially in the form provided below unless otherwise agreed by the Issuer and the holder of particular N&C Securities.
- (10) For these purposes, "**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 any person who is (i) in respect of each N&C Security that is an Immobilised Bearer N&C Security (other than a Permanently Restricted N&C Security), a "U.S. person" as defined in Regulation S, or (ii) in respect of each N&C Security that is a Bearer N&C Security or a Permanently Restricted N&C Security, a "U.S. person" as defined in Regulation S, the Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations promulgated by the CFTC pursuant to the CEA or a person other than a "Non-United States person" as defined in CFTC Rule 4.7 (each such person, a "**U.S. Person**").
- (11) 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 CEA, and trading in the N&C Securities has not been approved by the CFTC pursuant to the CEA.
- (12) It acknowledges that in issuing N&C Securities linked to any Reference Item, the Issuer is not making, and has not made, any representations whatsoever as to the Reference Item or any information contained in any document filed by the issuer of such Reference Item with any exchange or with any government entity regulation the purchase and sale of securities or N&C Securities linked to any Reference Item.
- (13) It acknowledges that the Issuer and any affiliate of the Issuer may, whether by virtue of the types of relationships described above otherwise, at the date hereof or at any time hereafter, be in possession of information in relation to the issuer of a Reference Item which is or may be material in the context of an issue of N&C Securities linked to such Reference Item and which is not or may not be known to the general public or any N&C Securityholder. N&C Securities linked to any Reference Item do not create any obligation on the part of the Issuer or any affiliate of the Issuer to disclose to any N&C Securityholder any such relationship or information (whether or not confidential) and neither the Issuer nor any affiliate of the Issuer shall be liable to any N&C Securityholder by reason of such non-disclosure. No such information has been used in the selection of any issuer of a Reference Item for any N&C Securities linked to any Reference Item.
- (14) It acknowledges that the Issuer and any affiliate of the Issuer may have existing or future business relationships with the issuer of a Reference Item (including, but not limited to, lending, depositary, risk management, advisory or banking relationship), and will pursue actions and take steps that it deems or they deem necessary or appropriate to protect its or their interests arising therefrom without regard to the consequences for a holder of N&C Securities linked to the issuer of a Reference Item.
- (15) It acknowledges that the market value of N&C Securities linked to the issuer of a Reference Item may be adversely affected by movements in the value of the issuer of the Reference Item or in currency exchange rates.

- (16) It acknowledges that the redemption amount in respect of any N&C Security may be less than its issue price.
- (17) Each Definitive Registered N&C Security that is a Legended N&C Security will bear a legend to the following effect:

"THE SECURITIES REPRESENTED BY THIS DEFINITIVE REGISTERED N&C SECURITY HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY BE TRANSFERRED ONLY PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AS SET FORTH BELOW. 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 UNITED STATES COMMODITY EXCHANGE ACT OF 1936, AS AMENDED, AND TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE U.S. COMMODITY FUTURES TRADING COMMISSION UNDER THE UNITED STATES COMMODITY EXCHANGE ACT OF 1936, AS AMENDED.

THE REGISTERED OWNER HEREOF, BY PURCHASING THE SECURITIES IN RESPECT OF WHICH THIS DEFINITIVE REGISTERED N&C SECURITY IS ISSUED, (1) REPRESENTS FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE SECURITIES THAT IT IS THE SOLE BENEFICIAL OWNER OF THE SECURITIES REPRESENTED HEREBY OR IS PURCHASING SUCH SECURITIES FOR ONE OR MORE ACCOUNTS MAINTAINED BY IT OR OVER WHICH IT EXERCISES SOLE INVESTMENT DISCRETION AND THAT IT AND ANY SUCH ACCOUNT ARE NOT U.S. PERSONS (AS DEFINED BELOW) AND ARE NOT PURCHASING SUCH SECURITIES FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON, (2) ACKNOWLEDGES THAT THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED, SOLD, RESOLD OR DELIVERED IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH ACT IN ACCORDANCE WITH THE TERMS HEREOF, AND (3) AGREES, FOR THE BENEFIT OF THE ISSUER, THAT SUCH SECURITIES MAY ONLY BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DELIVERED OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT.

EACH HOLDER OF THIS DEFINITIVE REGISTERED N&C SECURITY AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS DEFINITIVE REGISTERED N&C SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

FOR THE PURPOSES HEREOF, "**OFFSHORE TRANSACTION**" SHALL HAVE THE MEANING GIVEN IN RULE 902 OF REGULATION S UNDER THE SECURITIES ACT AND "U.S. PERSON" WILL MEAN ANY PERSON WHO IS A "**U.S. PERSON**" AS DEFINED IN REGULATION S.

ANY SECURITIES THAT ARE OFFERED, SOLD OR TRANSFERRED IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON WILL BE ISSUED IN THE FORM OF DEFINITIVE REGISTERED N&C SECURITIES, REGISTERED IN THE NAME OF THE REGISTERED HOLDER THEREOF.

BY ITS PURCHASE AND HOLDING OF THIS SECURITY (OR ANY INTEREST HEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (I) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT BE (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (B) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (C) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN

SUBJECT TO SECTION 4975 OF THE CODE, OR (D) A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (II) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER EMPLOYEE BENEFIT PLAN, A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW FOR WHICH AN EXEMPTION IS NOT AVAILABLE."

- (18) Each Regulation S Global N&C Security will bear a legend to the following effect:

"THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. 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 UNITED STATES COMMODITY EXCHANGE ACT OF 1936, AS AMENDED, AND TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE U.S. COMMODITY FUTURES TRADING COMMISSION UNDER THE UNITED STATES COMMODITY EXCHANGE ACT OF 1936, AS AMENDED.

BY PURCHASING OR OTHERWISE ACQUIRING THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY, THE HOLDER THEREOF ACKNOWLEDGES THAT THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY ARE "RESTRICTED SECURITIES" THAT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT. THE HOLDER AGREES FOR THE BENEFIT OF THE ISSUER THAT, IF IT SHOULD DECIDE TO DISPOSE OF THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY PRIOR TO THE DATE WHICH IS 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY, THE SECURITY REPRESENTED BY THIS GLOBAL SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND ONLY OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

EACH HOLDER OF THIS SECURITY OR AN INTEREST HEREIN AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

FOR THE PURPOSES HEREOF, "**OFFSHORE TRANSACTION**" SHALL HAVE THE MEANING GIVEN BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT AND "**U.S. PERSON**" WILL MEAN ANY PERSON WHO IS A "U.S. PERSON" AS DEFINED IN REGULATION S.

BY ITS PURCHASE AND HOLDING OF THIS SECURITY (OR ANY INTEREST HEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (I) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT BE (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (B) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (C) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (D) A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (II) ITS

ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER EMPLOYEE BENEFIT PLAN, A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW FOR WHICH AN EXEMPTION IS NOT AVAILABLE."

- (19) Each Bearer N&C Security and Permanently Restricted Global N&C Security will bear a legend to the following effect:

"THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. 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 UNITED STATES COMMODITY EXCHANGE ACT OF 1936, AS AMENDED, AND TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE U.S. COMMODITY FUTURES TRADING COMMISSION UNDER THE UNITED STATES COMMODITY EXCHANGE ACT OF 1936, AS AMENDED.

BY PURCHASING OR OTHERWISE ACQUIRING THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY, THE HOLDER THEREOF ACKNOWLEDGES THAT THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY, OR ANY INTEREST HEREIN, ARE "RESTRICTED SECURITIES" THAT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND ARE BEING OFFERED AND SOLD IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**"). THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY, OR ANY INTEREST HEREIN, 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 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. THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY, OR ANY INTEREST HEREIN, MAY NOT BE LEGALLY OR BENEFICIALLY OWNED AT ANY TIME BY ANY U.S. PERSON AND ACCORDINGLY ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT U.S. PERSONS IN RELIANCE ON REGULATION S.

BY ITS PURCHASE OF THIS SECURITY OR ANY INTEREST HEREIN, EACH PURCHASER WILL BE DEEMED OR REQUIRED, AS THE CASE MAY BE, TO HAVE AGREED THAT IT MAY NOT RESELL OR OTHERWISE TRANSFER THIS SECURITY OR ANY INTEREST HEREIN HELD BY IT EXCEPT OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION TO A PERSON THAT IS NOT A U.S. PERSON.

BY ITS PURCHASE AND HOLDING OF THIS SECURITY (OR ANY INTEREST HEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (I) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT BE (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (B) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (C) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (D) A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (II) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR ANY INTEREST

HEREIN) WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER EMPLOYEE BENEFIT PLAN, A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

FOR THE PURPOSES HEREOF, "**OFFSHORE TRANSACTION**" WILL HAVE THE MEANING GIVEN IN RULE 902 OF REGULATION S AND "**U.S. PERSON**" WILL MEAN ANY PERSON WHO IS (I) A "U.S. PERSON" AS DEFINED IN REGULATION S, (II) A "U.S. PERSON" AS DEFINED IN THE INTERPRETIVE GUIDANCE AND POLICY STATEMENT REGARDING COMPLIANCE WITH CERTAIN SWAP REGULATIONS PROMULGATED BY THE COMMODITY FUTURES TRADING COMMISSION (THE "**CFTC**") PURSUANT TO THE UNITED STATES COMMODITY EXCHANGE ACT OF 1936, AS AMENDED (THE "**CEA**") OR (III) A PERSON OTHER THAN A "NON-UNITED STATES PERSON" AS DEFINED IN CFTC RULE 4.7 (EACH SUCH PERSON, A "**U.S. PERSON**")."

- (20) It acknowledges that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any N&C Securities as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make, and does so make, the foregoing acknowledgements, representations and agreements on behalf of each such account.

SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement dated 16 August 2018 (such Programme Agreement as modified and/or supplemented and/or further restated from time to time, the "**Programme Agreement**") agreed with the Issuer a basis upon which the Issuer may from time to time agree to issue N&C Securities. Any such agreement will extend to those matters stated under "*Form of the N&C Securities*" and "*General Terms and Conditions of the N&C Securities*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the issue of N&C Securities under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The price and amount of N&C 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 N&C 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 N&C Securities to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers. If a Tranche of N&C Securities is syndicated, the details of such syndication will be specified in the applicable Pricing Supplement.

In connection with the issue of any Tranche of N&C Securities, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot or effect transactions with a view to supporting the market price of the N&C Securities of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. 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 N&C Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of N&C Securities and 60 days after the date of the allotment of the relevant Tranche of N&C Securities.

SELLING RESTRICTIONS

1. The Americas

United States of America

Each Dealer has acknowledged, and each further Dealer appointed under the Programme Agreement will be required to acknowledge, that the N&C 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 or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state securities laws. Except as otherwise provided, terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act. "**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.

A "**U.S. Person**" means any person who is (i) in respect of each N&C Security that is an Immobilised Bearer N&C Security (other than a Permanently Restricted N&C Security), a "U.S. person" as defined in Regulation S or (ii) in respect of each N&C Security that is (a) a Bearer N&C Security or (b) a Permanently Restricted N&C Security, a "U.S. person" as defined in Regulation S, the Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations promulgated by the CFTC pursuant to the CEA or a person other than a "Non-United States person" as defined in CFTC Rule 4.7 (each such person, a "**U.S. Person**").

N&C Securities in bearer form may be subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States 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 promulgated 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 N&C Securities and it will not offer, sell or deliver N&C Securities (i) as part of their distribution at any time or (ii) otherwise (except for Bearer N&C Securities and 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 except in accordance with Rule 903 of Regulation S and (b) that it will not at any time offer, sell or deliver Bearer N&C Securities or Permanently Restricted N&C Securities, or any interest therein, within the United States or to, or for the account or benefit of, U.S. Persons. Furthermore, each Dealer has agreed and each further Dealer appointed under the Programme Agreement will be required to agree, that it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases N&C 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 N&C Securities within the United States or to, or for the account or benefit, of U.S. Persons.

The Bearer N&C Securities and 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, the Bearer N&C Securities and the 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 Bearer N&C Securities and 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 "*Subscription and Sale*" have the meanings given to them by Regulation S.

In addition, until 40 days after the completion of the distribution of the N&C Securities (other than Bearer N&C Securities and Permanently Restricted N&C Securities) comprising a Tranche, an offer or sale of such 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.

Each issuance of N&C 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 N&C Securities, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

2. **Europe, the Middle East and Africa**

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of the relevant N&C Securities specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any N&C Securities which are the subject of the offering contemplated by this Information Memorandum as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU on markets in financial instruments (as amended, "**MiFID II**"); or
 - (ii) a customer within the meaning of Directive 2002/92/EC on insurance mediation (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Directive or (with effect from 21 July 2019) the Prospectus Regulation; and
- (b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the N&C Securities to be offered so as to enable an investor to decide to purchase or subscribe the N&C Securities.

If the Pricing Supplement in respect of the relevant N&C Securities specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area (including, for this purpose, the United Kingdom), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of N&C Securities which are the subject of the offering contemplated by this Information Memorandum as completed by the Pricing Supplement in relation thereto to the public in that Member State, except that it may make an offer of N&C Securities to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 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
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive (until the Prospectus Directive and any relevant implementing measures in a relevant Member State are repealed) and (from 21 July 2019) Article 1(4) of the Prospectus Regulation,

provided that no such offer of N&C Securities referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus or a supplement to a prospectus pursuant to, respectively (until the Prospectus Directive and any relevant implementing measures in a relevant Member State are repealed) Article 3 and Article 16 of the Prospectus Directive and (from 21 July 2019) Article 3(1) and Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of N&C Securities to the public**" in relation to any N&C Securities in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the N&C Securities to be offered so as to enable an investor to decide to purchase or subscribe the N&C Securities (i) until the Prospectus Directive and any relevant implementing measures in a relevant member state are repealed, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State (and the expression "**Prospectus Directive**" means Directive 2003/71/EC of the European Parliament and of the Council (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the relevant Member State) and (ii) from 21 July 2019, as set out in the Prospectus Regulation (and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129, as amended).

United Kingdom

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

- (a) 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 FSMA) received by it in connection with the issue or sale of any N&C Securities in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any N&C Securities in, from or otherwise involving the United Kingdom.

France

This Information Memorandum has not been submitted to, nor approved by, the *Autorité des marchés financiers*.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, any N&C Securities to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Information

Memorandum, the relevant Pricing Supplement or any other offering material relating to the N&C Securities and that such offers, sales and distributions have been and will be made in France only to (a) persons providing the investment service of portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*.

The direct or indirect resale of N&C Securities to the public in France may be made only as provided by and in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French *Code monétaire et financier*.

Germany

For selling restrictions in respect of Germany, please see "*Prohibition of Sales to EEA Retail Investors*" above.

Ireland

Each Dealer has represented, warranted and agreed, 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 N&C Securities, or do anything in Ireland in respect of the N&C Securities, otherwise than in conformity with the provisions of:

- (a) the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland, as amended, and any rules issued under Section 1363 of the Companies Act 2014 of Ireland, as amended, (the "**2014 Act**") by the Central Bank of Ireland;
- (b) the 2014 Act, the Central Bank Acts 1942 to 2015 of Ireland and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989 of Ireland, as amended, or any regulations issued pursuant to Part 8 of the Central Bank (Supervision and Enforcement) Act 2013 of Ireland, as amended;
- (c) the European Union (Markets in Financial Instruments) Regulations 2017, as amended, and any codes of conduct used or rules issued in connection therewith and the provisions of the Investor Compensation Act 1998 of Ireland and the Investment Intermediaries Act 1995 of Ireland, as amended; and
- (d) the provisions of the Market Abuse Regulation (EU 596/2014), as amended, the Market Abuse Directive on criminal sanctions for market abuse (Directive 2014/57/EU), the European Union (Market Abuse) Regulation 2016 of Ireland (S.I. No 349 of 2016), as amended, and any rules made or guidance issued by the Central Bank of Ireland pursuant thereto or under Section 1370 of the 2014 Act.

Italy

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that in respect of any private placement in Italy, it has not offered or sold and will not offer or sell, directly or indirectly, any N&C Securities to the public in Italy and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in Italy, the Information Memorandum, the relevant Pricing Supplement or any other offering material relating to the N&C Securities and that such offers, sales and distributions have been and will be made in Italy only:

- (a) to "qualified investors" as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Italian Financial Services Act**") and defined in article 34-ter, paragraph 1, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**");
- (b) by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with CONSOB Regulation of 15 February 2018, No. 20307, as

amended and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Italian Banking Act**");

- (c) in compliance with Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy which have been issued on 25 August 2015 and came into force on 1 October 2016, as amended from time to time, pursuant to which the Bank of Italy requests periodic information on the issue or the offer of securities in the Republic of Italy to be provided by uploading such information on the Infostat platform of the Bank of Italy; and
- (d) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Please note that in accordance with Article 100–bis of the Italian Financial Services Act, where no exemption from the rules on public offerings applies, securities which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are continuously (*sistematicamente*) distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Italian Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such securities being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

Kingdom of Spain

This Information Memorandum related to the N&C Securities described in this document has not been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) nor passported into the Kingdom of Spain and therefore the N&C Securities are not intended to be publicly offered or sold to investors in the Kingdom of Spain.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the offering of the N&C Securities has not been registered nor been authorised, approved or filed in compliance with the requirements of the Spanish Securities Market Law (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), (as amended from time to time) ("**SML**"), Royal Decree 1310/2005, of 4 November, on admission to trading of securities in official secondary markets, public offerings and prospectus (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*) (as amended from time to time) ("**RD 1310/2005**") and any other regulation developing them which may be in force from time to time and accordingly, no N&C Securities will be offered, marketed or sold nor may copies of this Information Memorandum or of any other document relating to the N&C Securities be distributed in the Kingdom of Spain, except in those circumstances where such offer or marketing are exempted from the rules on public offerings pursuant to Article 35 of the SML as amended and article 38 of RD 1310/2005 (as amended from time to time), so that any sale or offering of the new securities in Spain is not classified as a public offering of securities in Spain. In this sense, the Information Memorandum is not intended for the public offering or sale of the N&C Securities in Spain and does not constitute a prospectus (registration document and/or securities note) for the public offering of securities in Spain.

Poland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of N&C Securities which are the subject of the offering contemplated by this Information Memorandum as completed by the Pricing Supplement in relation thereto to the public in Poland, except that it may make an offer of N&C Securities to the public in Poland at any time in any circumstances falling within Article 7 section 4 of the Polish Act on Public Offerings, Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies of 29 July 2005 (as amended) (the "**Act on Public Offers**").

For the purposes of this provision, the expression "an offer of N&C Securities to the public" in relation to any N&C Securities in Poland means public offer as defined in Article 3 section 1 of the Act on

Public Offers, i.e. the communication in any form and by any means of sufficient information on the subscription terms and the N&C Securities to be offered so as to enable an investor to decide to subscribe the N&C Securities, which is at any time addressed to at least 150 natural or legal persons or an unspecified addressee.

Swiss Confederation

The N&C Securities may not be offered, advertised or otherwise distributed, directly or indirectly, in or from Switzerland except as to qualified investors (each a "**Qualified Investor**" and collectively the "**Qualified Investors**") as defined in article 10 par 3bis and 3ter of the Swiss Federal Act on Collective Investment Schemes (the "**CISA**") and article 6 of the Collective Investment Schemes Ordinance ("**CISO**"). Neither this Information Memorandum nor any other offering or marketing material relating to the N&C Securities constitutes a prospectus according to article 652a or article 1156 of the Swiss Federal Code of Obligations or a simplified prospectus as such term is understood pursuant to article 5 of the CISA or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd., and neither this Information Memorandum nor any other offering or marketing material relating to the N&C Securities may be distributed or otherwise made available in or from Switzerland to any person which is not a Qualified Investor. The N&C Securities may only be offered, advertised or otherwise distributed, and this Information Memorandum and any other offering or marketing material relating to the N&C Securities may only be distributed in or from Switzerland to Qualified Investors. The N&C Securities do not constitute participations in a collective investment scheme in the meaning of the CISA and CISO. Therefore, the N&C Securities are not subject to the approval of, or supervision by, the Swiss Financial Markets Supervisory Authority FINMA ("**FINMA**"), and investors in the N&C Securities will not benefit from protection under the CISA or supervision by FINMA.

3. **Asia**

Taiwan

The N&C Securities have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan pursuant to relevant securities laws and regulations of Taiwan and the N&C Securities, including any copy of this Information Memorandum or any other documents related to the N&C Securities, may not be issued, offered, sold, delivered or distributed within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan. No person or entity in Taiwan has been authorised to offer, sell, distribute, give advice regarding or otherwise intermediate the offering, sale or distribution of the N&C Securities in Taiwan. Taiwan investors who subscribe and purchase the N&C Securities shall comply with all relevant securities, tax and foreign exchange laws and regulations in effect in Taiwan.

4. **General**

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, with the Issuer that it will observe all applicable laws and regulations in any jurisdiction in which it may offer, sell or deliver N&C Securities and that it will not, directly or indirectly, offer, sell or deliver N&C 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 N&C 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 N&C Securities by it will be made on the foregoing terms.

None of the Issuer and any of the Dealers represents by virtue of this Information Memorandum that N&C 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 and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the

applicable Pricing Supplement applicable to each Series of N&C Securities or in a supplement to this document.

Disclaimer

As a result of the foregoing restrictions, purchasers of N&C Securities are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such N&C Securities.

Unless otherwise specified in the applicable Pricing Supplement, no offers, sales, re-sales or deliveries of any N&C Securities, or distribution of any offering material relating to any N&C 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 Dealers.

GENERAL INFORMATION

1. Documents Available

So long as N&C Securities are capable of being issued under the Programme or are outstanding, 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 at the specified offices of the Paying Agents (and items 1(a), 1(g), 1(h) and 1(i) will be available for collection free of charge):

- (a) the articles of association of the Issuer, the special resolutions dated 25 November 2009 and 18 December 2009 of the Issuer, (each a "**Special Resolution**") and the memorandum of the Issuer (which must be read together with the relevant Special Resolution);
- (b) the Issuer's Half Yearly Report and Accounts for the half year ended 30 June 2018, containing the unaudited condensed consolidated interim financial statements of the Issuer for the half year ended 30 June 2018, which appear on pages 41 to 65 (inclusive);
- (c) the Issuer's Annual Report and Accounts for the year ended 31 December 2017, containing (i) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2017, which appear on pages 136 to 226 (inclusive) and (ii) the Risk Review appearing on pages 57 to 135 (inclusive), with the exception of any section which is marked as unaudited;
- (d) the Issuer's Annual Report and Accounts for the year ended 31 December 2016, containing (i) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2016, which appear on pages 166 to 267 (inclusive) and (ii) the Risk Review appearing on pages 32 to 128 (inclusive), with the exception of any section which is marked as unaudited;
- (e) the most recently published Annual Report and Accounts containing the consolidated and non-consolidated audited annual financial statements and, if published later, the most recently published Interim Financial Results (which are produced on a semi-annual basis) containing interim consolidated and non-consolidated financial statements (if any) and the most recently published and publicly available unaudited Quarterly Management Statement (if any) (which are produced on a quarterly basis of the Issuer as the same may be amended from time to time);
- (f) 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 N&C Securities Depositary Agreement and Deed of Covenant;
- (g) this Information Memorandum;
- (h) any future information memoranda, offering circulars, prospectuses and supplements to this Information Memorandum and any other documents incorporated herein or therein by reference;
- (i) Pricing Supplements (save that the Pricing Supplement relating to an unlisted N&C Security will only be available for inspection by a holder of such N&C Security and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of N&C Securities and identity); and
- (j) 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 in relation to the Issuer's Structured Note Programme, the Conditions set out on pages 109 to 292 of the Base Prospectus dated 12 April 2011 relating to the Issuer's Structured Note Programme, the Conditions set out on pages 82 to 299 of the Base Prospectus dated 5 April 2012 relating to the Issuer's Note, Certificate and Warrant Programme, the Conditions set out on pages 99 to 337

of the Information Memorandum dated 5 April 2013 relating to the Issuer's Global Structured Solutions Programme, the Conditions set out on pages 102 to 336 of the Information Memorandum dated 3 April 2014 relating to the Issuer's Global Structured Solutions Programme, the Conditions set out on pages 107 to 347 of the Information Memorandum dated 31 March 2015 relating to the Issuer's Global Structured Solutions Programme, the Conditions set out on pages 110 to 343 of the Information Memorandum dated 31 March 2016 relating to the Issuer's Global Structured Solutions Programme, the Conditions set out on pages 110 to 343 of the Information Memorandum dated 3 April 2017 relating to the Issuer's Global Structured Solutions Programme and the Conditions set out on pages 105 to 338 of the Information Memorandum dated 9 August 2017 relating to the Issuer's Global Structured Solutions Programme.

2. **Clearance Systems**

The N&C 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 N&C Securities allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. If the N&C Securities are to clear through an additional or alternative clearance system the appropriate information will be specified in the applicable Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue J. F. Kennedy, L-1855 Luxembourg. 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 or trading position of the Group (including the Issuer) since 30 June 2018, being the date of the most recent financial information of the Issuer.

There has been no material adverse change in the prospects of the Issuer since 31 December 2017, being the date of its last published audited consolidated annual financial statements.

4. **Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or had, in the 12 months prior to the date hereof, a significant effect on the financial position or profitability of the Group, the Issuer and its subsidiaries.

5. **Independent Auditors**

In respect of the financial statements of the Issuer incorporated by reference herein for the years ended 31 December 2016 and 31 December 2017, the auditors of such financial statements are PricewaterhouseCoopers LLP of 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP are members of the Institute of Chartered Accountants in England and Wales.

6. **U.S. Tax Legend**

N&C Securities in bearer form (other than Immobilised Bearer N&C Securities or Temporary Bearer Global N&C Securities) and the relevant Receipts, Coupons or Talons will bear the following legend if TEFRA D is specified as applicable in the applicable Pricing Supplement:

"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 English law may be given enforceable rights under such contract.

Unless specifically provided in the applicable Pricing Supplement to the contrary, the Terms and Conditions of the N&C Securities expressly exclude the application of the Act to any issue of N&C Securities.

8. **Post-Issuance Information**

Save as set out in the applicable Pricing Supplement, the Issuer does not intend to provide any post-issuance information in relation to any issue of N&C Securities.

REGISTERED OFFICE OF THE ISSUER

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DEALERS

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PAYING AGENTS

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AND TRANSFER AGENT**

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To the Dealers as to United States law

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