



Abbey National Treasury Services plc

(incorporated under the laws of England and Wales)

Unconditionally and irrevocably guaranteed by

Santander UK plc

(incorporated under the laws of England and Wales)

Structured Note and Certificate Programme

Abbey National Treasury Services 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 Structured Note and Certificate Programme (the "**Programme**").

This document (the "**Base Prospectus**") constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. When used in this Base Prospectus, "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

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

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

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

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

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

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

The N&C Securities may be issued on a continuing basis to the Dealer 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 Base Prospectus 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.

Notice of the aggregate nominal amount or issue size of N&C Securities, interest (if any) payable in respect of N&C Securities, where applicable, the issue price of N&C Securities, details of the relevant preference shares by which amounts payable on redemption of the N&C Securities will be determined and certain other information which is applicable to each Tranche (as defined in the Conditions) of N&C Securities will (other than in the case of Exempt N&C Securities, as defined below) be set out in the applicable Final Terms which will be filed with the Central Bank of Ireland, (when publicly offered or listed on a regulated market in the United Kingdom) the UK Listing Authority and, where listed, the London Stock Exchange or Irish Stock Exchange, as applicable. Copies of Final Terms in relation to N&C Securities to be listed on the London Stock Exchange will be published on the website of the London Stock Exchange through a regulatory information service and copies of Final Terms in relation to N&C Securities to be listed on the Irish Stock Exchange will be published on the website of the Irish Stock Exchange. In the case of Exempt N&C Securities, notice of the aggregate nominal amount of N&C Securities, interest (if any) payable in respect of N&C Securities, the issue price of N&C Securities and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the "**Pricing Supplement**").

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

The 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 (including the States and the District of Columbia), its territories, possessions and other areas subject to its jurisdiction (the "**United States**") or directly or indirectly offered, sold, resold, traded, pledged, redeemed, transferred or delivered to, or for the account or benefit of, any person who is (i) a "U.S. person" as defined in Regulation S under the Securities Act ("**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**"), (iii) a person other than a "Non-United States person" as defined in CFTC Rule 4.7, or (iv) a "United States person" as defined in the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder, in each case, as such definition may be amended, modified or supplemented from time to time (each such person, a "**U.S. Person**").

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 and Guarantee has not been approved by the CFTC pursuant to the CEA.

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

Dealer

Santander Global Banking & Markets

References to Santander entities

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

Further Information regarding the Base Prospectus

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

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

Any N&C Securities issued under the Programme by the completion of the Final Terms or Pricing Supplement, as applicable, on or after the date of this Base Prospectus are issued subject to the provisions hereof. This Base Prospectus does not affect any securities already in issue under any other programme of the Issuer, prior to the date of this Base Prospectus. "**Final Terms**" means the terms set out in a Final Terms document, substantially in the form set out in this Base Prospectus, which complete the "General Terms and Conditions of the N&C Securities" set out on page 100 herein which, together with the applicable Annex(es) relating to certain interest payouts, Equity Index/ETF Linked Interest N&C Securities, Equity Linked Interest N&C Securities, Inflation Index Linked Interest N&C Securities or Property Index Linked Interest N&C Securities, are referred to as the "**Conditions**". Any reference in this Base Prospectus to "**Issue Terms**" means either (i) in respect of N&C Securities other than Exempt N&C Securities, the applicable Final Terms or (ii) in respect of N&C Securities that are Exempt N&C Securities, the applicable Pricing Supplement, and should be construed accordingly.

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

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

Responsibility Statement

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

Important information relating to Non-exempt Offers of N&C Securities

Restrictions on Non-exempt Offers of N&C Securities in relevant Member States

Certain Tranches of N&C Securities with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "**Non-exempt Offer**". This Base Prospectus has been prepared on a basis that permits Non-exempt Offers of N&C Securities in each Member State in relation to which the Issuer has given its consent as specified in the applicable Final Terms (each specified Member State a "**Non-exempt Offer Jurisdiction**" and together the "**Non-exempt Offer**

Jurisdictions"). Any person making or intending to make a Non-exempt Offer of N&C Securities on the basis of this Base Prospectus must do so only with the Issuer's consent to the use of this Base Prospectus as provided under "*Consent given in accordance with Article 3.2 of the Prospectus Directive*" and provided such person complies with the conditions attached to that consent.

Save as provided above, none of the Issuer, the Guarantor and any Dealer have authorised, nor do they authorise, the making of any Non-exempt Offer of N&C Securities in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

Consent given in accordance with Article 3.2 of the Prospectus Directive

In the context of a Non-exempt Offer of such N&C Securities, the Issuer and the Guarantor accept responsibility, in each of the Non-exempt Offer Jurisdictions, for the content of this Base Prospectus in relation to any person (an "**Investor**") who purchases any N&C Securities in a Non-exempt Offer made by a Dealer or an Authorised Offeror (as defined below), where that offer is made during the Consent Period and provided that the conditions attached to the giving of consent for the use of this Base Prospectus are complied with. The consent and conditions attached to it are set out under "*Consent*" and "*Common Conditions to Consent*" below.

None of the Issuer, the Guarantor or any Dealer makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Non-exempt Offer and none of the Issuer or any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

Except in the circumstances set out in the following paragraphs, neither the Issuer nor the Guarantor has authorised the making of any Non-exempt Offer by any offeror and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Non-exempt Offer of N&C Securities. Any Non-exempt Offer made without the consent of the Issuer is unauthorised and none of the Issuer, the Guarantor and, for the avoidance of doubt, any Dealer accepts any responsibility or liability in relation to such offer or for the actions of the persons making any such unauthorised offer.

If, in the context of a Non-exempt Offer, an Investor is offered N&C Securities by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Base Prospectus for the purposes of the relevant Non-exempt Offer and, if so, who that person is. If the Investor is in any doubt about whether they can rely on this Base Prospectus and/or who is responsible for its contents they should take legal advice.

Consent

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

Specific consent

- (1) the Issuer consents to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of such N&C Securities by:
 - (a) the relevant Dealer(s) or Manager(s) specified in the applicable Final Terms;
 - (b) any financial intermediaries specified in the applicable Final Terms;
 - (c) any other financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Issuer's website (http://www.santander.co.uk/uk/about-santander-uk/investor-relations/abbrev-structured-note-and-certificate-programme?p_p_id=W017_Information Cluster Group WAR W017_Information Clusterportlet INSTANCE BdjH5B3K1W8n&p_p_lifecycle=1&p_p_state=normal&p_p_mode=view&p_p_col_id=column-2&p_p_col_pos=1&p_p_col_count=2&W017_Information Cluster Group WAR W017_Information Clusterportlet INSTANCE BdjH5B3K1W8n_cidGroupInfo=1324581833330&W017_Information Cluster Group WAR W017_Information Clusterportlet INSTANCE BdjH5B3K1W8n_cidGroupInfo=1324581833105&W017_Information Cluster Group WAR W017_Information Clusterportlet INSTANCE BdjH5B3K1W).

8n_javax.portlet.action=DFCWLR017InformationsClusterGrouperGetGroupInfoAction&_W017_Informations_Cluster_Grouper_WAR_W017_Informations_Clusterportlet_INSTANCE_BdjH5B3K1W8n_base.portlet.view=DFCWLR017InformationsClusterGrouperInitialView&_W017_Informations_Cluster_Grouper_WAR_W017_Informations_Clusterportlet_INSTANCE_BdjH5B3K1W8n_base.portlet.urlAjaxReady=true) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer; and

General consent

- (2) if (and only if) Part B of the applicable Final Terms specifies "General Consent" as "Applicable", the Issuer hereby offers to grant its consent to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of N&C Securities in the United Kingdom and/or Ireland (as specified in the applicable Final Terms) by any other financial intermediary which satisfies the following conditions:
- (i) it is authorised to make such offers under the Financial Services and Markets Act 2000 (the "**FSMA**"), as amended, or other applicable legislation implementing the Markets in Financial Instruments Directive (in which regard, Investors should consult the register maintained by the Financial Conduct Authority at: www.fsa.gov.uk/register/home.do or the applicable register in the relevant Member State to which a Non-exempt Offer is made);
- (ii) it accepts the Issuer's offer to grant consent to the use of this Base Prospectus by publishing on its website the following statement (with the information in square brackets completed with the relevant information) (the "**Acceptance Statement**"):

*"We, [insert legal name of financial intermediary], refer to the offer of [insert title of relevant N&C Securities] (the "**N&C Securities**") described in the Final Terms dated [insert date] (the "**Final Terms**") published by Abbey National Treasury Services plc (the "**Issuer**"). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the N&C Securities in [the United Kingdom] [and] [the Republic of Ireland] [delete as applicable] during the Consent Period and subject to the other conditions to such consent, each as specified in the Base Prospectus (the "**Offer**"), we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus) and confirm that we are using the Base Prospectus in connection with the Offer accordingly".*

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

- (A) will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer, the Guarantor and the relevant Dealer that it will, at all times in connection with the relevant Non-exempt Offer:
- (a) act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "**Rules**"), including, where the Non-exempt Offer of N&C Securities is being made in the United Kingdom, the Rules published by the United Kingdom Financial Conduct Authority ("**FCA**") (including its guidance for distributors in "*The Responsibilities of Providers and Distributors for the Fair Treatment of Customers*") from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the N&C Securities by any person and disclosure to any potential Investor;
- (b) comply with the restrictions set out under "*Subscription and Sale*" in this Base Prospectus which would apply as if it were a Dealer;
- (c) ensure that any fee (and any other commissions or benefits of any kind) or rebate received or paid by that financial intermediary in relation to the offer or sale of the N&C Securities does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
- (d) hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the N&C Securities under the Rules, including, where a Non-exempt Offer of N&C Securities is being made in the United Kingdom, authorisation under the FSMA;

- (e) comply with applicable anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any N&C Securities by the Investor), and will not permit any application for N&C Securities in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- (f) retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the Issuer, relevant Dealer and the Guarantor or directly to the FCA (or the appropriate authority with jurisdiction over any Dealer) in order to enable the Issuer, the Guarantor or relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the Issuer, the Guarantor or relevant Dealer;
- (g) ensure that it does not, directly or indirectly, cause the Issuer, the Guarantor or the relevant Dealer to breach any Rule or subject the Issuer, the Guarantor or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
- (h) immediately inform the Issuer, the Guarantor and the relevant Dealer if at any time it becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;
- (i) comply with the conditions to the consent referred to under "*Common Conditions to Consent*" below and any further requirements or other Authorised Offeror Terms relevant to the Non-exempt Offer as specified in the applicable Final Terms;
- (j) make available to each potential Investor in the N&C Securities this Base Prospectus (as supplemented as at the relevant time, if applicable) and not convey or publish any information that is not contained in or entirely consistent with this Base Prospectus and the applicable Final Terms;
- (k) if it conveys or publishes any communication (other than this Base Prospectus or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Non-exempt Offer) in connection with the relevant Non-exempt Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that none of the Issuer, the Guarantor and the relevant Dealer accept any responsibility for such communication and (C) does not, without the prior written consent of the Issuer, the Guarantor or the relevant Dealer (as applicable), use the legal or publicity names of the Issuer, the Guarantor or the relevant Dealer or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe the Issuer as issuer of the relevant N&C Securities and the Guarantor as the guarantor of the relevant N&C Securities on the basis set out in this Base Prospectus, as supplemented at the relevant time;
- (l) ensure that no holder of N&C Securities or potential Investor in the N&C Securities shall become an indirect or direct client of the Issuer, the Guarantor or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;
- (m) co-operate with the Issuer, the Guarantor and the relevant Dealer in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (f) above) upon written request from the Issuer, the Guarantor or the relevant Dealer as is available to such financial intermediary or which is within its power and control from time to time, together with such further assistance as is reasonably requested by the Issuer, the Guarantor or the relevant Dealer:
 - (i) in connection with any request or investigation by the FCA or any other regulator in relation to the N&C Securities, the Issuer, the Guarantor or the relevant Dealer; and/or

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

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

- (n) during the period of the initial offering of the N&C Securities: (i) only sell the N&C Securities at the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer); (ii) only sell the N&C Securities for settlement on the Issue Date specified in the applicable Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the N&C Securities (unless otherwise agreed with the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer; and
- (o) either (i) obtain from each potential Investor an executed application for the N&C Securities, or (ii) keep a record of all requests such financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the N&C Securities on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;

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

(C) agrees and accepts that:

- (a) the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Base Prospectus with its consent in connection with the relevant Non-exempt Offer (the "**Authorised Offeror Contract**"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;
- (b) subject to (d) below, the courts of England are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Authorised Offeror Contract (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a "**Dispute**") and the Issuer and financial intermediary submit to the exclusive jurisdiction of the English courts;
- (c) for the purposes of (b) above and (d) below, the financial intermediary waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum to settle any dispute;

- (d) to the extent permitted by law, the Issuer, the Guarantor and the Dealer may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions; and
- (e) the Guarantor and each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

The financial intermediaries referred to in paragraphs (1)(b), (1)(c) and (2) above are together the "**Authorised Offerors**" and each an "**Authorised Offeror**".

Any Authorised Offeror falling within (2) above who meets the conditions set out in (2) above and the other conditions stated in "Common Conditions to Consent" below and who wishes to use this Base Prospectus in connection with a Non-exempt Offer is required, for the duration of the relevant Consent Period, to publish on its website the Acceptance Statement.

Common Conditions to Consent

The conditions to the Issuer's consent to the use of the Base Prospectus in the context of the relevant Non-exempt Offer of N&C Securities are (in addition to the conditions described in paragraph (2) above if Part B of the applicable Final Terms specifies "General Consent" as "Applicable") that such consent:

- (i) is only valid during the Consent Period; and
- (ii) only extends to the use of this Base Prospectus to make Non-exempt Offers of the relevant Tranche of N&C Securities in each relevant Member State, as specified in the applicable Final Terms.

Each Tranche of N&C Securities may only be offered to Investors as part of a Non-exempt Offer in the relevant Member State(s) specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

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

ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS

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

Non-exempt Offers: Issue Price and Offer Price

N&C Securities to be offered pursuant to a Non-exempt Offer will be issued by the Issuer at the Issue Price specified in the applicable Final Terms. The Issue Price will be determined by the Issuer in consultation with the relevant Dealer at the time of the relevant Non-exempt Offer and will depend, amongst other things, on the interest rate (if any) applicable to the N&C Securities and prevailing market conditions at that time. The Offer Price of such N&C Securities will be the Issue Price.

Information sourced from third parties

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

The Dealers and the contents of this Base Prospectus

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

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

Independent Investigation

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any 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, the Guarantor or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any 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 and/or the Guarantor. Neither this Base Prospectus 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, the Guarantor or any of the Dealers to any person to subscribe for or to purchase any N&C Securities. Furthermore, neither this Base Prospectus, 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, none of the Issuer, the Guarantor or any Dealer is acting as an investment adviser or providing advice of any other nature, or assumes any fiduciary obligation, to any investor in N&C Securities.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any N&C Securities shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the 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 Base Prospectus (including any documents incorporated by reference pursuant to any supplements hereto) when deciding whether or not to purchase any N&C Securities.

Credit Ratings

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

Moody's Investors Service Ltd ("**Moody's**"), Fitch Ratings Ltd ("**Fitch**") and Standard & Poor's Credit Market Services Europe Limited ("**S&P**") are each established in the European Union and are each registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such Moody's, Fitch and S&P are included in the list of the credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with such Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Please also refer to "*Rating Agency Credit Ratings*" in the "*Risk Factors*" section of this Base Prospectus.

Subscription and sales and transfer restrictions in the United States

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

The N&C Securities in bearer form that are debt for U.S. federal income tax purposes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to or for the account or benefit of U.S. Persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder.

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

This Base Prospectus 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 Base Prospectus and the offer or sale of N&C Securities may be restricted by law in certain jurisdictions. The Issuer, the Guarantor and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any 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, the Guarantor or the Dealers which would permit a public offering of any N&C Securities or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. In particular, unless specifically indicated to the contrary in the applicable Issue Terms, no action has been taken by the Issuer, the Guarantor or the Dealers which would permit a public offering of any N&C Securities or distribution of this Base Prospectus 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 Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any N&C Securities may come must inform themselves about, and observe any such restrictions on the distribution of this Base Prospectus and the offering and sale of N&C Securities. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of N&C Securities in the United States and the European Economic Area (including the United Kingdom and Ireland), see "*Subscription and Sale*".

Investment Considerations

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 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 Base Prospectus or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the 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 indices and financial markets; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

An investment in N&C Securities (including N&C Securities which are Equity Linked Interest N&C Securities, Equity Index/ETF Linked Interest N&C Securities, Inflation Index Linked Interest N&C Securities or Property Index Linked Interest N&C Securities) may entail significant risks not associated with investments in conventional securities such as debt or equity securities, including, but not limited to, the risks set out in "*Risks associated with N&C Securities where interest amounts are linked to one or more Reference Item(s)*" and "*Risks associated with N&C Securities due to their linkage to the value of Preference Shares*" below.

In making an investment decision, investors must rely on their own examination of the Issuer and the Guarantor 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, the Guarantor and their respective affiliates.

None of the Dealers, the Issuer and the Guarantor 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 an investigation into the business, financial condition, prospects, creditworthiness, status and affairs of the issuer of the Preference Shares, the relevant Preference Shares (including the relevant underlying reference item(s) for the Preference Shares), the information relating to any Reference Item(s) relevant for the determination of interest and the level or fluctuation of the relevant Preference Shares for the purposes of determining amounts payable at redemption or of any Reference Item(s) relevant for the determination of interest.

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The consolidated annual financial statements of the Issuer and the Guarantor for the years ended 31 December 2014 and 2013 were prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The half yearly financial reports of the Issuer and the Guarantor for the six months ended 30 June 2015 were prepared in accordance with International Accounting Standard 34. The information contained in the Quarterly Management Statement of Santander UK Group Holdings plc for the nine months ended 30 September 2015 (which contains the unaudited consolidated financial information of the Guarantor for the nine months ended 30 September 2015) is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 or interim financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

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

All references in this document to "**EUR**", "**Euro**", "**euro**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended; references to "**USD**", "**U.S. dollars**", "**U.S.\$**" and "**\$**" are to the currency of the United States of America; and references to "**GBP**", "**Sterling**" and "**£**" are to the currency of the United Kingdom.

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In connection with the issue of any Tranche of 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 Issue Terms may over-allot N&C Securities (provided that, in the case of any Tranche of N&C Securities to be admitted to trading on a regulated market in the European Economic Area, the aggregate principal amount of N&C Securities allotted does not exceed 105.00 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the 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, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of N&C Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the 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.

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SUMMARY OF THE PROGRAMME

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

SECTION A – INTRODUCTION AND WARNINGS

Element	
A.1	<p>This summary should be read as an introduction to the Base Prospectus and the applicable Final Terms. Any decision to invest in any N&C Securities should be based on a consideration of this Base Prospectus as a whole, including any documents incorporated by reference and the applicable Final Terms. Where a claim relating to information contained in the Base Prospectus and the applicable Final Terms is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus and the applicable Final Terms before the legal proceedings are initiated. Civil liability attaches to the Issuer or the Guarantor in any such Member State solely on the basis of this summary, including any translation of it, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus and the applicable Final Terms or, following the implementation of the relevant provisions of Directive 2010/73/EU in the relevant Member State, it does not provide, when read together with the other parts of this Base Prospectus and the applicable Final Terms, key information in order to aid investors when considering whether to invest in the N&C Securities.</p>
A.2	<p>Certain Tranches of N&C Securities with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "Non-exempt Offer".</p> <p><i>Issue specific summary:</i></p> <p>[Not Applicable – the N&C Securities are not being offered to the public as part of a Non-exempt Offer.]</p> <p>[Consent: Subject to the conditions set out below, the Issuer consents to the use of this Base Prospectus in connection with a Non-exempt Offer of N&C Securities by [the Dealer(s)] [and] [names of specific financial intermediaries listed in final terms [the "Authorised Offeror"]] [and] [each financial intermediary whose name is published on the Issuer's website ([insert link]) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer] [and any financial intermediary which is authorised to make such offers under the Financial Services and Markets Act 2000, as amended or other applicable legislation implementing Directive 2004/39/EC ("MiFID") and publishes on its website the following statement (with the information in square brackets being completed with the relevant information):</p> <p>"We, [insert name of financial intermediary], refer to the offer of [insert title of relevant N&C Securities] (the "N&C Securities") described in the Final Terms dated [insert date] (the "Final Terms") published by Abbey National Treasury Services plc (the "Issuer"). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the N&C Securities in [the United Kingdom] [Ireland] [insert Relevant Member State] during the Consent Period and subject to the other conditions to such consent, each as specified in the Base Prospectus (the "Offer"), we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus) and confirm that we are using the Base Prospectus in connection with the Offer accordingly".</p> <p>Consent period: The Issuer's consent referred to above is given for Non-exempt Offers of N&C Securities during the period beginning on the start date of the relevant Offer Period and ending on the earliest of (i) the end date of the relevant</p>

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	<p><i>Offer Period, (ii) the date occurring 12 months after the date of the Base Prospectus or (iii) in the event that the Base Prospectus is superseded by a base prospectus of the Issuer which is approved and published by the Issuer during the Offer Period (a "New Base Prospectus") and the Issuer has amended, restated and issued the applicable Final Terms pursuant to the New Base Prospectus, the date on which such amended and restated Final Terms are published (the "Consent Period").</i></p> <p><i>Offer period: The offer period is [insert] (the "Offer Period").</i></p> <p><i>Conditions to consent: The conditions to the Issuer's consent [(in addition to the conditions referred to above)] are that such consent (a) is only valid during the Consent Period and (b) only extends to the use of this Base Prospectus to make Non-exempt Offers of the relevant Tranche of N&C Securities in [specify each relevant Member State in which the particular Tranche of N&C Securities can be offered].</i></p> <p>AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY N&C SECURITIES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH N&C SECURITIES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER.]</p>
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SECTION B– ISSUER AND GUARANTOR

Element	
B.1	<p>Legal and commercial name of the Issuer Abbey National Treasury Services plc</p>
B.2	<p>Domicile / legal form / legislation / country of incorporation The Issuer is a public limited company incorporated and domiciled in England and Wales, registered under the Companies Act 1985.</p>
B.4b	<p>Trend information</p> <p>Despite recent improvements in certain segments of the global economy, uncertainties remain concerning the future economic environment. Uncertainty surrounding future economic developments of the Eurozone remains an issue and interest rate differentials among Eurozone countries still indicate continued doubts about some governments' ability to fund themselves sustainably and affect borrowing rates in those economies.</p> <p>The global credit market conditions have suffered from the general lack of liquidity in the secondary market for many types of instruments which may include instruments similar to the N&C Securities.</p> <p>The Group faces substantial competition in all parts of its business. The market for UK financial services is highly competitive and the recent financial crisis continues to reshape the banking landscape in the UK.</p> <p>Financial services providers face increasingly stringent and costly regulatory and supervisory requirements, particularly in the areas of regulatory capital and liquidity management, the conduct of business, the structure of operations and the integrity of financial services delivery.</p> <p>Increased government intervention and control over financial institutions, together with measures to reduce systemic risk, may significantly impact the competitive landscape.</p>
B.5	<p>Description of the Group The Issuer and its subsidiaries comprise the Issuer's immediate group (the "ANTS Group"). The Issuer is a direct wholly</p>

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	<p>owned subsidiary of Santander UK plc (the "Guarantor") and, along with the Guarantor's other subsidiaries, forms part of the Santander UK group (the "Santander UK Group"). The Guarantor is a wholly owned subsidiary of Santander UK Group Holdings plc which is a subsidiary of Banco Santander, S.A. which is the ultimate parent company. Banco Santander, S.A. and its subsidiary Santusa Holding, S.L. together hold the entire issued share capital of Santander UK Group Holdings plc. The Guarantor and its subsidiaries, along with the other subsidiaries of Banco Santander, S.A., form part of the Banco Santander S.A. group (the "Santander Group").</p>			
B.9	Profit forecast or estimate	Not Applicable - No profit forecasts or estimates have been made in the Base Prospectus.		
B.10	Audit report qualifications	Not Applicable - No qualifications are contained in any audit report included in the Base Prospectus.		
B.12	Selected historical key financial information	<p>The audited consolidated balance sheet as at 31 December 2013 and 31 December 2014 and unaudited condensed consolidated balance sheet as at 30 June 2015 and audited consolidated income statement for each of the years ended 31 December 2013 and 31 December 2014 and unaudited condensed consolidated income statement for each of the six months ended 30 June 2014 and 30 June 2015, have been extracted without any adjustment from, and should be read in conjunction with, the Issuer's consolidated financial statements in respect of those dates and periods:</p>		
	<p><i>Condensed Consolidated Balance Sheet (extracted from the Issuer's half yearly financial report for the six months ended 30 June 2015)</i></p>			
		30 June 2015 (unaudited) £m	31 December 2014 (audited) £m	31 December 2013 (audited) £m
	Assets			
	Cash and balances at central banks	2,187	4,460	4,911
	Trading assets	25,301	21,373	21,897
	Derivative financial instruments	23,980	25,792	21,550
	Financial assets designated at fair value	2,454	2,577	2,534
	Loans and advances to banks	12,073	11,344	113,649
	Loans and advances to customers	38,066	38,285	41,108
	Available-for-sale securities	2,099	2,525	2,962
	Loans and receivables securities	16	22	128
	Macro hedge of interest rate risk	728	935	379
	Intangible assets	18	13	8
	Property, plant and equipment	10	10	6
	Deferred tax assets	1	-	15
	Other assets	200	133	180
	Total assets	107,133	107,469	209,327
	Liabilities			
	Deposits by banks	20,444	17,416	120,698
	Deposits by customers	2,793	4,523	7,780
	Trading liabilities	15,490	15,333	21,275
	Derivative financial instruments	24,781	26,607	21,496
	Financial liabilities designated at fair value	2,502	2,848	3,407
	Debt securities in issue	37,131	36,799	30,889
	Macro hedge of interest rate risk	14	39	-
	Other liabilities	250	255	368
	Provisions	-	32	23
	Current tax liabilities	218	224	223
	Deferred tax liabilities	-	12	-
	Total liabilities	103,263	104,088	206,159
	Equity			

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	Share capital	2,549	2,549	2,549	
	Retained earnings	946	761	640	
	Other reserves	15	71	(21)	
	Total shareholders' equity	3,510	3,381	3,168	
	Total liabilities and equity	107,133	107,469	209,327	
	<i>Condensed Consolidated Income Statement (extracted from the Issuer's half yearly financial report for the six months ended 30 June 2015)</i>				
		Six months ended 30 June 2015 (unaudited) £m	Six months ended 30 June 2014 (unaudited) £m	Year ended 31 December 2014 (audited) £m	Year ended 31 December 2013 (audited) £m
	Interest and similar income	755	1,184	2,518	2,697
	Interest expense and similar charges	(578)	(1,234)	(2,483)	(2,798)
	Net interest income	177	(50)	35	(101)
	Net fee and commission income	68	56	122	107
	Net trading and other income	114	184	299	406
	Total operating income	359	190	456	412
	Administration expenses	(127)	(125)	(252)	(192)
	Depreciation and amortisation	(3)	(1)	(4)	(3)
	Total operating expenses excluding impairment losses, provisions and charges	(130)	(126)	(256)	(195)
	Impairment losses on loans and advances	4	-	(30)	(31)
	Provisions for other liabilities and charges	-	-	(32)	(23)
	Total operating impairment losses, provisions and charges	4	-	(62)	(54)
	Profit before tax	233	64	138	163
	Taxation charge/(charge)	(48)	1	(17)	1
	Profit for the year	185	65	121	164
	<i>Statements of no significant or material adverse change</i>				
	There has been no significant change in the financial position of the ANTS Group (including the Issuer) since 30 June 2015 and there has been no material adverse change in the prospects of the Issuer since 31 December 2014.				
B.13	Events impacting the Issuer's solvency	Not Applicable - There are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.			
B.14	Dependence upon other group entities	The Guarantor has given a guarantee under the Programme in respect of the N&C Securities. Additionally, the Guarantor has given a full and unconditional guarantee in respect of liabilities of the Issuer incurred on or before 30 June 2017. See B.18 below for details of the guarantee. Neither the Issuer nor the Guarantor relies on a guarantee from Banco Santander, S.A. or any other member of the Santander Group to generate funding or liquidity. Similarly, neither the Issuer nor the Guarantor raises funds to finance or guarantee the debts of other members of the Santander Group. See further Element B.5 above.			
B.15	Principal activities	The Issuer's business consists of three main divisions: Commercial Banking, Corporate and Institutional Banking and Corporate Centre.			
	(a) Commercial Banking	Commercial Banking provides banking services to companies with a turnover of between £250,000 and £500m per annum through its enhanced platform, distribution capability and product suite through a network of regional business centres and			

Summary of the Programme

	<p>through telephony and e-commerce channels, and commercial real estate and Social Housing. Commercial Banking products and services include loans and treasury services.</p> <p>(b) Corporate and Institutional Banking</p> <p>Corporate and Institutional Banking is a financial markets business focused on providing value added financial services to large corporates, with an annual turnover above £500m, and financial institutions, where they can be best serviced in terms of their more specialised and tailored product needs, and benefit from the Banco Santander group's global capability. It also serves the rest of Santander UK's business (including the Retail Banking and Commercial Banking divisions) from a product perspective. It is structured into five main product areas: Rates, Foreign exchange and money markets, Equity, Credit and Transaction Banking. In addition, large and complex clients are covered by teams organised along industry lines. Rates covers sales and trading activity for fixed income products. Foreign exchange offers a range of foreign exchange products and money markets runs securities lending/borrowing and repo businesses. Equity covers equity derivatives and property derivatives. Equity derivatives activities include the manufacture of structured products sold to retail and corporate customers of both Santander UK and of other financial institutions who sell them on to their customers. Credit originates loan and bond transactions in primary markets as well as their intermediation in secondary markets. Transaction Banking provides lending and cash management services, including deposit taking and trade finance.</p> <p>(c) Corporate Centre</p> <p>Corporate Centre consists of Financial Management and Investor Relations ("FMIR") and the non-core portfolios of Social Housing loans and structured credit assets. FMIR is responsible for managing capital and funding, balance sheet composition and structure, structural market risk and strategic liquidity risk for the Santander UK Group. The non-core portfolios are being run-down and/or managed for value.</p>
B.16	<p>Controlling shareholders The Issuer is a direct wholly owned subsidiary of the Guarantor.</p>
B.18	<p>Description of the Guarantee The N&C Securities will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under its guarantee will be direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and will rank <i>pari passu</i> and equally with all present and future unsecured and unsubordinated obligations of the Guarantor without any preference among themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.</p>
B.19	<p>Information about the Guarantor</p> <p>B.1 Legal and commercial name of the Guarantor Santander UK plc</p> <p>B.2 Domicile / legal form / legislation / country of incorporation The Guarantor is a public limited liability company incorporated and domiciled in England and Wales, registered under the Companies Act 1985.</p> <p>B.4b Trend information See Element B.4b above.</p> <p>B.5 Description of the Group See Element B.5 above.</p> <p>B.9 Profit forecast or estimate Not Applicable - No profit forecasts or estimates have been made in the Base Prospectus.</p> <p>B.10 Audit report qualifications Not Applicable - No qualifications are contained in any audit report included in the Base Prospectus.</p>

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B.12 Selected historical key financial information

The audited consolidated balance sheet as at 31 December 2014, and audited consolidated income statement for the year ended 31 December 2014, have been extracted without any adjustment from, and should be read in conjunction with, the Guarantor's consolidated financial statements in respect of the dates and periods.

The audited consolidated balance sheet as at 31 December 2013, and audited consolidated income statement for the year ended 31 December 2013, have been adjusted since their original publication, to reflect the adoption of IFRIC Interpretation 21 ("**IFRIC 21**")¹ and its impact on the timing of the recognition of the charge for the Financial Services Compensation Scheme.

The audited consolidated balance sheet as at 31 December 2013, and audited consolidated income statement for the year ended 31 December 2013, as set out below have been extracted from, and should be read in conjunction with, the Guarantor's audited consolidated annual financial statements for the financial year ended 31 December 2014 and reflect the adjusted figures.

The unaudited condensed consolidated balance sheet as of 30 June 2015 and unaudited condensed consolidated income statement for the six months ended 30 June 2015 and 30 June 2014 have been extracted without any adjustment from the Guarantor's unaudited half yearly financial report for the six months ended 30 June 2015.

The unaudited summary balance sheet as of 30 September 2015 and 31 December 2014 and unaudited summary consolidated income statement for the nine months ended 30 September 2015 and 30 September 2014 have been extracted without any adjustment from the unaudited quarterly management statement for the nine months ended 30 September 2015 of Santander UK Group Holdings plc (the **Quarterly Management Statement**), the immediate parent company of the Guarantor.

Condensed Consolidated Balance Sheet (extracted from the Guarantor's half yearly financial report for the six months ended 30 June 2015)

	30 June 2015 (unaudited) £m	31 December 2014 (audited) £m	31 December 2013 (audited)* £m
Assets			
Cash and balances at central banks	15,218	22,562	26,374
Trading assets	25,625	21,700	22,294
Derivative financial instruments	20,589	23,021	20,049
Financial assets designated at fair value	2,729	2,881	2,747
Loans and advances to banks	2,500	2,057	2,347
Loans and advances to customers (Net)	194,939	188,691	184,587
Loans and receivables securities	66	118	1,101
Available-for-sale securities	9,096	8,944	5,005
Macro hedge of interest rate risk	743	963	769
Interests in other entities	40	38	27
Intangible assets	2,210	2,187	2,335
Property, plant and equipment	1,571	1,624	1,521
Current tax assets	34	-	114
Deferred tax assets	-	-	16
Retirement benefit assets	349	315	118

¹ In May 2013, the IFRS Interpretations Committee issued IFRIC 21 which provides guidance on accounting for the liability to pay a government imposed levy. IFRIC 21 is effective in the EU for annual periods beginning on or after 17 June 2014, however, earlier application is permitted and Santander UK has elected to do so. This interpretation clarifies that the obligating event that gives rise to a liability to pay a government levy is the activity that triggers the payment of the levy as set out in the relevant legislation. An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period. The adoption of IFRIC 21 changed the accounting for the Financial Services Compensation Scheme, but did not affect the accounting for any other government imposed levy paid by Santander UK.

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Other assets	1,517	876	882
Total assets	277,226	275,977	270,286
Liabilities			
Deposits by banks	7,252	8,214	8,696
Deposits by customers	158,150	153,606	147,167
Trading liabilities	15,491	15,333	21,278
Derivative financial instruments liabilities	22,015	22,732	18,863
Financial liabilities designated at fair value	2,502	2,848	3,407
Debt securities in issue	49,384	51,790	50,870
Subordinated liabilities	3,601	4,002	4,306
Macro hedge of interest rate risk	39	139	-
Other liabilities	2,828	2,302	1,883
Provisions	461	491	550
Current tax liabilities	2	69	4
Deferred tax liabilities	95	59	-
Retirement benefit obligations	210	199	672
Total liabilities	262,030	261,784	257,696
Equity			
Share capital and other equity instruments	4,911	4,244	3,709
Share premium	5,620	5,620	5,620
Retained earnings	4,395	4,056	3,377
Other reserves	147	273	(116)
Total shareholders' equity	15,073	14,193	12,590
Non-controlling interests	123	-	-
Total liabilities and equity	277,226	275,977	270,286
*Adjusted to reflect the adoption of IFRIC 21			
Summary balance sheet (extracted from the Quarterly Management Statement)			
	30 September 2015 (unaudited) £bn	31 December 2014 (unaudited) £bn	
Assets			
Retail Banking	164.2	158.5	
Commercial Banking	20.4	18.7	
Global Corporate Banking	5.8	5.2	
Corporate Centre	7.7	8.3	
Customer loans	198.1	190.7	
Other assets	84.9	85.3	
Total assets	283.0	276.0	
Liabilities			
Retail Banking	136.2	129.6	
Commercial Banking	16.8	15.3	
Global Corporate Banking	2.7	2.3	
Corporate Centre	4.0	5.2	
Customer Deposits	159.7	152.4	
Medium term funding	50.9	51.5	
Other liabilities	56.5	57.9	
Total liabilities	267.1	261.8	
Shareholders' equity	15.8	14.2	
Non-controlling interests	0.1	-	
Total liabilities and equity	283.0	276.0	
Condensed Consolidated Income Statement (extracted from the Guarantor's half yearly financial report for the six			

Summary of the Programme

<i>months ended 30 June 2015)</i>				
	Six months ended 30 June 2015 (unaudited) £m	Six months ended 30 June 2014 (unaudited) £m	Year ended 31 December 2014 (audited) £m	Year ended 31 December 2013* (audited) £m
Interest and similar income	3,371	3,421	6,797	7,170
Interest expense and similar charges	(1,588)	(1,748)	(3,363)	(4,207)
Net interest income	1,783	1,673	3,434	2,963
Fee and commission income	570	534	1,095	1,058
Fee and commission expense	(193)	(169)	(356)	(300)
Net fee and commission income	377	365	739	758
Net trading and other income	123	154	297	308
Total operating income	2,283	2,192	4,470	4,029
Administration expenses	(1,064)	(876)	(1,915)	(1,947)
Depreciation, amortisation and impairment	(136)	(347)	(482)	(248)
Total operating expenses excluding impairment losses, provisions and charges	(1,200)	(1,223)	(2,397)	(2,195)
Impairment losses on loans and advances	(57)	(172)	(258)	(475)
Provisions for other liabilities and charges	(97)	(252)	(416)	(250)
Total operating impairment losses, provisions and charges	(154)	(424)	(674)	(725)
Profit on continuing operations before tax	929	545	1,399	1,109
Tax on profit on continuing operations	(195)	(107)	(289)	(211)
Profit on continuing operations after tax	734	438	1,110	898
(Loss)/Profit from discontinued operations after tax	-	-	-	(8)
Profit after tax	734	438	1,110	890
*Adjusted to reflect the adoption of IFRIC 21				
Summary consolidated income statement (extracted from the Quarterly Management Statement)				
	30 September 2015 (unaudited) £m	31 December 2014 (unaudited) £m		
Net interest income	2,675	2,544		
Non-interest income	754	776		
Total operating income	3,429	3,320		
Administrative expenses	(1,588)	(1,385)		
Depreciation, amortisation and impairment	(209)	(412)		
Total operating expenses excluding impairment losses, provisions and charges	(1,797)	(1,797)		
Impairment losses on loans and advances	(52)	(240)		
Provisions for other liabilities and charges	(154)	(272)		
Total operating impairment losses, provisions and charges	(206)	(512)		
Profit before tax	1,426	1,011		
Tax on profit	(307)	(204)		
Profit after tax for the period	1,119	807		
Statements of no significant or material adverse change				
There has been no significant change in the financial position of the Santander UK Group (including the Guarantor) since 30 September 2015 and there has been no material adverse change in the prospects of Santander UK plc since				

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31 December 2014.

B.13 Events impacting the Guarantor's solvency

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

B.14 Dependence upon other Group entities

The Guarantor is dependent upon the Issuer and the other members of the Santander UK Group. The Issuer has given a full and unconditional guarantee in respect of the liabilities of the Guarantor incurred on or before 30 June 2017. See further Element B.5 and Element B.14 above.

B.15 The Guarantor's Principal activities

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

Retail Banking

Retail Banking offers a wide range of products and financial services to individuals and small businesses (with less than two directors, owners or partners), through a network of branches and ATMs, as well as through telephony, digital, mobile and intermediary channels. Retail Banking also includes Santander Consumer Finance, predominantly a vehicle finance business. Its main products are residential mortgage loans, savings and current accounts, credit cards and personal loans as well as insurance policies.

Commercial Banking

Commercial Banking offers a wide range of products and financial services to customers through a network of regional Corporate Business Centres ("**CBCs**") and through telephony and digital channels. The management of Santander UK's customers is organised according to the annual turnover (£250,000 to £50m for small and medium sized enterprises ("**SMEs**"), and £50m to £500m for mid corporates) of their business, enabling Santander UK to offer a differentiated service to SMEs and mid corporate customers. Commercial Banking also includes specialist commercial real estate and Social Housing lending businesses.

Corporate & Institutional Banking

Corporate & Institutional Banking services corporate clients and financial institutions that, because of their size, complexity or sophistication, require specially-tailored services or value-added wholesale products. It offers risk management and other value-added financial services to large corporates with a turnover above £500m per annum, and financial institutions, as well as to the rest of Santander UK's businesses. The main businesses areas include: working capital management (trade and export finance and cash management), financing (Debt Capital Markets, and corporate and specialised lending) and risk management (foreign exchange, rates and liability management).

Corporate Centre

Corporate Centre predominantly consists of the non-core corporate and treasury legacy portfolios. Corporate Centre is responsible for managing capital and funding, balance sheet composition and structure and strategic liquidity risk for the Santander UK group. The non-core corporate and treasury legacy portfolios include aviation, shipping, infrastructure, commercial mortgages, Social Housing loans and structured credit assets, all of which are being run-down and/or managed for value.

B.16 Controlling shareholders

As at the date of this Prospectus, the Guarantor is a wholly owned subsidiary of Santander UK Group Holdings Limited, 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 Limited.

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SECTION C – N&C SECURITIES

Element	
C.1	<p>Type and class of the N&C Securities</p> <p>The Issuer may issue the following types of Securities: notes ("Notes") and redeemable certificates ("Certificates" and, together with Notes, "N&C Securities") pursuant to the Programme.</p> <p>The N&C Securities will be N&C Securities linked to preference shares for the purposes of the determination of amounts payable upon redemption, optional redemption or early redemption and may be fixed rate N&C Securities, floating rate N&C Securities, non-interest bearing N&C Securities or variable interest rate N&C Securities.</p> <p>In respect of variable interest N&C Securities, the applicable Final Terms will specify whether a N&C Security is an equity linked interest N&C Security, an equity index/ETF linked interest N&C Security, an inflation index linked interest N&C Security, a property index linked interest N&C Security or a cross-asset linked interest N&C Security.</p> <p>The security identification number of the N&C Securities will be set out in the applicable Final Terms.</p> <p><i>[Issue specific summary</i></p> <p>Title of N&C Securities: [●]</p> <p>Series Number: [●]</p> <p>Tranche Number [●]</p> <p>ISIN: [●]</p> <p>Common Code: [●]</p> <p>[The Notes will be consolidated and will form a single Series with <i>[identify earlier Tranches]</i> on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, which is expected to occur on or about <i>[date]</i>].]</p>
C.2	<p>Currency of the N&C Securities</p> <p>Subject to compliance with all relevant laws, regulations and directives, the N&C Securities may be denominated or settled in any agreed currency.</p> <p><i>[Issue specific summary</i></p> <p><i>[insert currency of the N&C Securities]</i></p>
C.5	<p>Restrictions on free transferability</p> <p>The N&C Securities may not be transferred prior to the Issue Date. Selling restrictions apply to offers, sales or transfers of the N&C Securities under the applicable laws in various jurisdictions. A purchaser of the N&C Securities is required to make certain agreements and representations as a condition to purchasing the N&C Securities.</p> <p><i>[Issue Specific Summary:</i></p> <p>The minimum denominations of each N&C Security [is] [will be] €1,000 (or the equivalent amount in a currency other than euro).]</p>
C.8	<p>Description of the rights attaching to the N&C Securities</p> <p>Status: The N&C Securities constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank <i>pari passu</i> without preference amongst themselves and, subject to any applicable statutory provisions or judicial order,</p>

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at least equally with all other present and future direct, unconditional, unsecured and unsubordinated obligations of the Issuer.

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

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

Deed of covenant: The N&C Securities have the benefit of a deed of covenant dated 30 November 2015.

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 unless such deduction is required by law. In the event that any such deduction is required, neither the Issuer nor, as the case may be, the Guarantor will be required to pay any additional amounts to cover the amounts so deducted. Further, all payments in respect of the N&C Securities will be made subject to any withholding or deduction required pursuant to fiscal and other laws, as provided in Condition 6.4(B) of the General Terms and Conditions of the N&C Securities.

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

Governing law: English law.

C.11 Listing and Admission to trading

[Issue specific summary:

[Application for N&C Securities has been made [for listing on the Official List of the [United Kingdom Listing Authority] [Irish Stock Exchange plc] [*specify other Stock Exchange*] and] for admission to trading on the [Regulated Market of the [London] [Irish] Stock Exchange] [*specify other Stock Exchange*].]

C.15 Description of how the value of the N&C Securities is affected by the value of the Preference Shares

Issue specific summary:

The following table sets out illustrative values of the amounts payable per N&C Security on the Maturity Date [or Optional Redemption Date] or Early Redemption Date, as the case may be, in each case, as adjusted:

Preference Share Value as a % of Preference Share Final in respect of Preference Share Initial	Final Redemption Amount [/ Optional Redemption Date] / Early Redemption Amount per Calculation Amount
200%	[insert currency] [●]
150%	[insert currency] [●]
100%	[insert currency] [●]
90%	[insert currency] [●]

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	75%	[insert currency] [●]										
	60%	[insert currency] [●]										
	50%	[insert currency] [●]										
	40%	[insert currency] [●]										
	25%	[insert currency] [●]										
	10%	[insert currency] [●]										
	0%	[insert currency] 0										
	200%	[insert currency] [●]										
	<p><i>These N&C Securities are derivative securities and their value may go down as well as up.</i></p> <p><i>Worst Case Scenario: In a worst case scenario the amount payable per Calculation Amount at the Maturity Date will be zero if the final reference value of the Preference Shares is zero.</i></p>											
C.16	<p>Maturity Date of the N&C Securities</p> <p>The Maturity Date of the N&C Securities is the third Business Day following the Final Reference Date.</p>											
C.17	<p>Settlement procedures of the N&C Securities</p> <p>The N&C Securities will be settled on the Maturity Date, the Optional Redemption Date or Early Redemption Date, as the case may be, in each case as adjusted in accordance with the conditions, at the relevant amount per N&C Security.</p>											
C.18	<p>Description of how the return on derivative securities takes place</p>											
	<p>Payment Features</p> <p><i>[Issue specific summary:</i></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; padding: 5px;">Issue Price:</td> <td style="padding: 5px;">[100 per cent of the Aggregate Nominal Amount/[●] per N&C Security]</td> </tr> <tr> <td style="padding: 5px;">Issue Date:</td> <td style="padding: 5px;">[●]</td> </tr> <tr> <td style="padding: 5px;">Calculation Amount:</td> <td style="padding: 5px;">[●]</td> </tr> <tr> <td style="padding: 5px;">Maturity Date:</td> <td style="padding: 5px;">The third Business Day following the Final Reference Date which is scheduled to be [●]</td> </tr> <tr> <td style="padding: 5px;">Final Redemption Amount:</td> <td style="padding: 5px;"> <p>Unless previously redeemed or purchased and cancelled, each N&C Security will be redeemed at its Final Redemption Amount on the Maturity Date.</p> <p>The "Final Redemption Amount" in respect of each nominal amount of the N&C Securities equal to the Calculation Amount shall be an amount in the Specified Currency calculated by the Calculation Agent equal to:</p> $\text{Calculation Amount} \times \frac{\text{Preference Share Value}_{\text{final}}}{\text{Preference Share Value}_{\text{Initial}}}$ </td> </tr> </table> <p><i>]</i></p>		Issue Price:	[100 per cent of the Aggregate Nominal Amount/[●] per N&C Security]	Issue Date:	[●]	Calculation Amount:	[●]	Maturity Date:	The third Business Day following the Final Reference Date which is scheduled to be [●]	Final Redemption Amount:	<p>Unless previously redeemed or purchased and cancelled, each N&C Security will be redeemed at its Final Redemption Amount on the Maturity Date.</p> <p>The "Final Redemption Amount" in respect of each nominal amount of the N&C Securities equal to the Calculation Amount shall be an amount in the Specified Currency calculated by the Calculation Agent equal to:</p> $\text{Calculation Amount} \times \frac{\text{Preference Share Value}_{\text{final}}}{\text{Preference Share Value}_{\text{Initial}}}$
Issue Price:	[100 per cent of the Aggregate Nominal Amount/[●] per N&C Security]											
Issue Date:	[●]											
Calculation Amount:	[●]											
Maturity Date:	The third Business Day following the Final Reference Date which is scheduled to be [●]											
Final Redemption Amount:	<p>Unless previously redeemed or purchased and cancelled, each N&C Security will be redeemed at its Final Redemption Amount on the Maturity Date.</p> <p>The "Final Redemption Amount" in respect of each nominal amount of the N&C Securities equal to the Calculation Amount shall be an amount in the Specified Currency calculated by the Calculation Agent equal to:</p> $\text{Calculation Amount} \times \frac{\text{Preference Share Value}_{\text{final}}}{\text{Preference Share Value}_{\text{Initial}}}$											

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		<p>and rounded (where relevant) in accordance with the applicable rounding convention.</p> <p>Where:</p> <p>"Company" means Abbey National Treasury (Structured Solutions) Limited;</p> <p>"Final Reference Date" means the third Business Day following the Preference Share Valuation Date;</p> <p>"Initial Reference Date" means [●];</p> <p>"Preference Shares" means [the Series [●] redeemable preference shares of the Company];</p> <p>"Preference Share Valuation Date" means:</p> <p>(a) [●], or,</p> <p>(b) if the Preference Shares become subject to redemption due to a related financial product being subject to early redemption, the date scheduled for valuation of the underlying asset(s) or reference basis(es) for the Preference Shares; or</p> <p>(c) if any date(s) for valuation of the underlying asset(s) or reference basis(es) (or any part thereof) for the Preference Shares falling on or about such day described in (a) or (b) above, as the case may be, is or is to be delayed in accordance with the terms and conditions of the Preference Shares by reason of a disruption or adjustment event, the Preference Share Valuation Date will be such delayed valuation or determination date(s) (or, if the relevant Preference Shares have more than one underlying asset or reference basis, the last occurring of such delayed valuation or determination date(s) if there is more than one delayed valuation date or delayed determination date).</p> <p>"Preference Share Value" means, in respect of any day, the fair market value per Preference Share at the Valuation Time on that day as determined by the Calculation Agent;</p> <p>"Preference Share Value_{final}" means the Preference Share Value on the Final Reference Date;</p> <p>"Preference Share Value_{initial}" means the Preference Share Value on the Initial Reference Date; and</p> <p>"Valuation Time" means [5.00 p.m. (London time)] [<i>specify other</i>].</p> <p>The N&C Securities have an Issuer call option and therefore, by giving notice as provided in the conditions, the Issuer may redeem all of the N&C Securities then outstanding on an Optional Redemption Date at the Optional Redemption Amount.</p> <p>The "Optional Redemption Amount" shall be an amount rounded in accordance with the conditions in the Specified Currency calculated by the Calculation Agent on the same basis as the Final Redemption Amount (as specified above) except that, for these purposes only, the definition of Preference Share Value_{final} shall be the Preference Share Value on the Optional Redemption Valuation Date.</p> <p>Where:</p> <p>"Optional Preference Share Redemption Valuation Date" means:</p>
	[Optional Redemption Amount:	

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<p>Early Redemption Amount:</p>	<p>(a) [●], or,</p> <p>(b) if any date(s) for valuation of the underlying asset(s) or reference basis(es) (or any part thereof) for the Preference Shares falling on or about such day described in (a) above is or is to be delayed in accordance with the terms and conditions of the Preference Shares by reason of a disruption or adjustment event, the Optional Preference Share Redemption Valuation Date shall be such delayed valuation or determination date(s) (or, if the relevant Preference Shares have more than one underlying asset or reference basis, the last occurring such delayed valuation date or determination date, if there is more than one delayed valuation date or delayed determination date);</p> <p>"Optional Redemption Date(s)" means the third Business Day following the Optional Redemption Valuation Date; and</p> <p>"Optional Redemption Valuation Date" means the third Business Day following the Optional Preference Share Redemption Valuation Date.]</p> <p>The N&C Securities may be subject to early redemption (i) for tax reasons (ii) pursuant to any annex to the conditions, (iii) on receipt of a notice of early redemption of the Preference Shares for any reason other than a related financial product being subject to early redemption, (iv) following the occurrence of an illegality, (v) following the occurrence of a securities hedging disruption or following the occurrence of an event of default, In the event of an early redemption, the Issuer will redeem each N&C Security at its Early Redemption Amount on the applicable Early Redemption Date. No interest will be payable on any early redemption unless the relevant Interest Payment Date has then occurred and the relevant interest has not already been paid.</p> <p>The "Early Redemption Amount" shall be an amount rounded in accordance with the conditions in the Specified Currency calculated by the Calculation Agent on the same basis as the Final Redemption Amount (as specified above) except that, for these purposes only, the definition of Preference Share Value_{final} shall be the Preference Share Value on the Early Redemption Valuation Date;</p> <p>Where:</p> <p>"Early Preference Share Redemption Valuation Date" means:</p> <p>(a) if the N&C Securities become subject to early redemption other than following an event of default, the Early Preference Share Redemption Valuation Date specified in the notice of early redemption given to N&C Securityholders by the Issuer (or the Calculation Agent on its behalf) in accordance with the conditions; or</p> <p>(b) where the N&C Securities are subject to early redemption following an event of default, the 5th Business Day following the date on which the relevant N&C Securityholder's written notice referred to therein is given,</p> <p>or, in each case, if any date(s) for valuation of or any determination of the underlying asset(s) or reference basis(es) (or any part thereof) for the Preference Shares falling on or about such day is to be delayed in accordance with the terms and conditions of the Preference Shares by reason of a disruption or adjustment event, the relevant Early Preference Share Redemption Valuation Date shall be such delayed valuation or determination date (or, if the relevant Preference Shares have more than one underlying asset or reference basis, the last occurring of such delayed</p>
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valuation date(s) or determination date(s), if there is more than one delayed valuation date or delayed determination date);

"Early Redemption Date" means the third business day following the Early Redemption Valuation Date; and

"Early Redemption Valuation Date" shall be the third Business Day following the Early Preference Share Redemption Valuation Date.

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

[Interest]

[The N&C Securities will be [fixed rate] [floating rate] [variable interest rate] N&C Securities and interest will be paid in accordance with the following:]

Interest Payment Option 1

*Calculation Amount [(or, when represented by a global N&C Security, a pro rata amount, per N&C Security, of the aggregate outstanding nominal amount of the N&C Securities)] * Rate of Interest [* Day Count Fraction]*

Interest Payment Option 2

(1) *If the Barrier Condition is satisfied:*

*Calculation Amount * Rate of Interest_{n=1}; or*

(2) *If the Barrier Condition is not satisfied:*

*Calculation Amount * Rate of Interest_{n=2}*

Interest Payment Option 3

(1) *If the Barrier Condition is satisfied:*

*Calculation Amount * Rate of Interest; or*

(2) *If the Barrier Condition is not satisfied:*

Zero

Interest amounts [if any] become due on the relevant Interest Payment Date(s) specified below.

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

For these purposes:

"Asset" has the meaning [in relation to the relevant Asset Class, a Single Asset or a constituent of a Basket Asset] set out in Element C20 below.

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

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

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[Barrier].

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

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

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

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

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

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

"**Average Level**" means the arithmetic average of each [Opening Level] [Closing Level] [Intraday Level] [Observation Level] observed by the Calculation Agent on each Averaging Date.

"**Averaging Date**" means each of [●].

"**Barrier**" means [[●] per cent.] [n * [●] per cent.] [Asset Initial * [●] per cent.] [Asset Initial * n * [●] per cent.] [Asset Early * [●] per cent.] [Asset Early * n * [●] per cent.] [Asset Lookback * [●] per cent.] [Asset Lookback * n * [●] per cent.].

"**Barrier (Early)**" means:

(a) where Barrier Condition Early (European) is applicable:

[[●] per cent.] [n * [●] per cent.] [means the percentage ascribed to the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date], as specified in the table [above/below]]; or

(b) where Barrier Condition Early (Bermudan) is applicable:

[[●] per cent.] [n * [●] per cent.]; or

(c) where Barrier Condition Early (American) is applicable:

[Asset Initial * [●] per cent.] / [Asset Initial * [●] per cent. * n].

"**Barrier (Final)**" means:

(a) where Barrier Condition Final (European) is applicable, [●] per cent.; or

(b) where Barrier Condition Final (American) is applicable, Asset Initial * [●] per cent.

"**Barrier Condition**" shall mean [Barrier Condition Early] [Barrier Condition Final].

"**Barrier Condition Early**" shall mean [Barrier Condition Early (European)] [Barrier Condition Early (Bermudan)] [Barrier Condition Early (American)].

Summary of the Programme

"Barrier Condition Early (American)" shall be deemed satisfied if the Calculation Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] [related to the relevant Barrier Early Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is at [all] [the] [any] time[s] greater than [or equal to] Barrier (Early).

"Barrier Condition Early (Bermudan)" shall be deemed satisfied if the Calculation Agent determines that on any [Scheduled Observation Date] [Valuation Date] [Calculation Date] [during the Observation Period], Asset Early Performance is greater than [or equal to] Barrier (Early).

"Barrier Condition Early (European)" shall be deemed satisfied if the Calculation Agent determines that on [the relevant] [each] [Scheduled Observation Date] [Valuation Date] [Calculation Date], Asset Early Performance is greater than [or equal to] Barrier (Early).

"Barrier Condition Final" shall mean [Barrier Condition Final (European)] [Barrier Condition Final (American)].

"Barrier Condition Final (American)" shall be deemed satisfied if the Calculation Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is [at] [all] [any] [time[s]] greater than [or equal to] Barrier (Final).

"Barrier Condition Final (European)" shall be deemed satisfied if the Calculation Agent determines that on the Final Valuation Date Asset Final Performance is greater than [or equal to] Barrier (Final).

"Barrier Early Calculation Date" means [date to be specified] [each Scheduled Observation Date] [Valuation Date] [Calculation Date].

"Barrier Return" shall mean an amount determined by the Calculation Agent in accordance with the following methodology:-

(a) if Asset Final Performance is greater than [or equal to] the Barrier,

[●] per cent.

(b) if Asset Final Performance is less than [or equal to] the Barrier:

Max[(Cap +/-) (Participation * Asset Final Performance)), Floor]

"Basket Asset" means an Asset that is a constituent of a basket of Assets.

"Bonus" means an amount calculated and determined by the Calculation Agent in accordance with the following:

(a) If the Asset Final Performance is greater than [or equal to] Barrier,

[[●] per cent.] [Min[Max(Floor, (Participation * Asset Final Performance)), Cap]]

(b) If the Asset Final Performance is less than [or equal to] Barrier,

[●] per cent.

"Bonus Amount" shall be determined by the Calculation Agent in respect of each [Scheduled Observation Date] [Valuation Date] [Calculation Date] in accordance with the following formula:

Bonus Number * [●] per cent.

"Bonus Condition" shall be deemed satisfied if the Calculation Agent determines that on each [Scheduled Observation Date] [Valuation Date] [Calculation Date] the Asset Early Performance is greater than [or equal to] the Barrier.

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"Bonus Number" shall be [the number of times that the Bonus Condition is satisfied during the Observation Period] [the number corresponding to the last [Scheduled Observation Date] [Valuation Date] [Calculation Date] during the Observation Period upon which the Barrier Condition is satisfied] [or, if the Barrier Condition is not satisfied, zero] [number to be specified].

"Calculation Date" means [insert date(s)] [each Scheduled Trading Day in the Observation Period] [subject to adjustment].

"Cap" means [●] per cent.

"Closing Level" means the [closing level] [or] [price] of the relevant Asset.

"Day Count Fraction" means [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].

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

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

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

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

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

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

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

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

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

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

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

Summary of the Programme

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

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

$$W * \text{Upside Performance}$$

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

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

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

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

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

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

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

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

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

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

"Final Valuation Date" means [insert].

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

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

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

"Floor" means [●] per cent.

Summary of the Programme

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

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

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

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

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

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

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

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

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

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

"**Observation Level**" means [the Opening Level] [the lowest Closing Level observed on each Scheduled Observation Date] [the highest Closing Level observed on each Scheduled Observation Date] [the level of the Asset] [the Rate of Interest] observed by the Calculation Agent on the relevant [Initial Valuation Date] [Scheduled Observation Date] at [insert time] [the level of the relevant Asset scheduled to be published by the Inflation Index Sponsor for the Reference Month of [●] where the relevant Asset Class is an Inflation Index] [the level of the relevant Asset scheduled to be published by the Property Index Sponsor for the reference month of [●] where the relevant Asset Class is a Property Index].

"**Opening Level**" means the [opening level] [or] [price] of the relevant Asset.

"**Paid Interest**" means, in respect of a N&C Security, the sum of all interest paid in respect of that N&C Security from (and including) the Issue Date to (and including) the immediately preceding Specified Interest Payment Date, if any.

"**Participation**" means [●] per cent.

"**Range Condition**" shall be deemed satisfied in respect of any day if the Asset Level for such day observed by the Calculation Agent is greater than [or equal to] [●] [per cent.] per annum and less than [or equal to] [●] [per cent.] [per annum].

"**Range Days**" means the actual number of [calendar days] [Business Days] [Scheduled Observation Dates] [Valuation Dates] [Calculation Dates] in the [Interest Period] [Observation Period] on which the Range Condition is satisfied.

"**Rate of Interest**" shall mean in [connection with the relevant N&C Coupon Payout] [Insert one of:]

[[●] per cent.] [per annum];

Screen Rate Determination;

ISDA Determination;

Bank of England Base Rate Determination;

Summary of the Programme

$(n * [\bullet] \text{ per cent.})$;

$[(n * [\bullet] \text{ per cent.}) - \text{Paid Interest}]$;

$\text{Max}(\text{Floor}, \text{Min}(\text{Cap}, \text{Participation} * \text{Asset Early [Performance]} + [\bullet] \text{ per cent.})) [+/- \text{Barrier Return}]$;

$([\bullet] \text{ per cent} \times \frac{\text{Range Days}}{\text{Observation Days}})$; or

[the applicable percentage rate specified in the table [above/below]: [insert table].]

"Scheduled Observation Date" means [insert date(s)] [each Scheduled Trading Day in the Observation Period].

"Single Asset" means a single Asset described in item C.20 below.

"Trade Date" means [insert].

"Trigger Condition" shall mean [Trigger Condition (European)] [Trigger Condition (American)].

"Trigger Condition (American)" shall be deemed satisfied if the Calculation Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is [at] [all] [any] [time(s)] greater than [or equal to] the Trigger.

"Trigger Condition (European)" shall be deemed satisfied if the Calculation Agent determines that on the Final Valuation Date Asset Final Performance is greater than [or equal to] the Trigger.

"Trigger" means:

(a) where Trigger Condition (European) is applicable:

$[\bullet] \text{ per cent.}; \text{ or}$

(b) where Trigger Condition (American) is applicable:

$\text{Asset Initial} * [\bullet] \text{ per cent.}$

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

$$\frac{\text{Asset Final} - (\text{Barrier} * \text{Asset Initial})}{\text{Asset Initial}}$$

"Valuation Date" means [specify date(s)] [each Scheduled Trading Day in the Observation Period] [subject to adjustment].

"W" means the weighting in respect of the relevant Basket Asset, as specified in the table [above/below]: insert table:

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

$W * \text{Final Performance}$

The above provisions are subject to adjustment as provided in the conditions of the N&C Securities to take into account events in relation to the Asset(s) or the N&C Securities. This may lead to adjustments being made to the N&C Securities for the purposes of determining interest amounts payable from time to time or in some cases the N&C Securities being terminated early at an early redemption amount.

Summary of the Programme

	<p>[The following table sets out illustrative values of the interest amount payable per N&C Security on the relevant Interest Payment Date:</p> <p><i>[Issue specific summary:</i></p> <p><i>[insert table]]</i></p> <p><i>Worst Case Scenario: In a worst case scenario the interest amount payable per N&C Security at the Maturity Date will be [●] if [●]</i></p> <p><i>These N&C Securities are derivative securities and their value may go down as well as up.</i></p>
<p>C.19</p>	<p>The final reference price of the underlying</p> <p>The Preference Share Value_{final} will be the Preference Share Value on the Final Reference Date as set out in item C.18 above.</p>
<p>C.20</p>	<p>A description of the type of the underlying and where the information of the underlying can be found</p> <p>The underlying for the purposes of determining the amount payable upon redemption, optional redemption or early redemption will be the Preference Shares of the Company specified at item C. 18 above.</p> <p>The performance of each Preference Share is linked to the performance of one or more underlying reference item(s) which may include, but will not be limited to, equities, equity indices, exchange traded funds, inflation indices, property indices and/or, baskets of equities, equity indices, exchange traded funds, inflation indices or property indices and which may change over time as a result of performance or other factors. The Preference Share Terms and Conditions will provide that, unless otherwise redeemed or cancelled, the Preference Shares will be redeemable on their final redemption date at a defined amount as determined in accordance with the Preference Share Terms and Conditions.</p> <p><i>[Issue specific summary:</i></p> <p><i>The performance of the Preference Shares is determined by reference to the value of [an] / [a basket of] [equit[y/ies]] / [equity ind[ex/icies]] / [shares of [an] exchange traded fund[s]] / [inflation ind[ex/icies]] / [property ind[ex/icies]].</i></p> <p><i>A copy of the Company's constitutional documents and the applicable terms and conditions of the class of Preference Shares (the "Preference Share Terms and Conditions") are available to investors in the N&C Securities on written request (free of charge) from the registered office of the Company at [●] [and from the [Distributor] of the N&C Securities]. Information on the Preference Shares (including past and further performance and volatility) is published on [] or any successor page thereto.]</i></p>

Summary of the Programme

SECTION D – RISKS

Element	
D.2	<p>Key risks regarding the issuer and the guarantor</p> <p>In purchasing N&C Securities, investors assume the risk that the Issuer and the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the N&C Securities. There are a wide range of factors which individually or together could result in the Issuer and the Guarantor becoming unable to make all payments due in respect of the 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 and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. However, the Issuer and the Guarantor have identified in the Base Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due under the N&C Securities and the Guarantee, and they consider that the risks identified in the Base Prospectus include all the principal risks of an investment in the N&C Securities. These include:</p> <ul style="list-style-type: none"> • the Group's operating results, financial condition and prospects may be materially impacted by economic conditions in the UK as well as regulatory capital, leverage and liquidity requirements imposed on the Issuer and the Guarantor; • the Group's operating results, financial condition and prospects may be negatively affected by conditions in global financial markets; • the Group's financial results are constantly exposed to market risk. The Group is subject to fluctuations in interest rates and other markets risks, which may materially and adversely affect it; • any reduction in the credit rating assigned to the Group, any member of the Group or to any Group debt securities would be likely to increase the Group's cost of funding, require additional collateral to be placed and adversely affect its interest margins and liquidity position; • the Group operates in a highly regulated environment that imposes costs and significant compliance requirements. Changes in regulations may increase the cost and complexity of doing business, or may disadvantage the Group relative to its competitors. The failure to comply with regulations could subject the Group to sanctions, force it to cease providing certain services, or oblige it to change the scope or nature of its operations; • customers and counterparties that owe the Group money, securities or other assets may default on their obligations to the Group due to bankruptcy, lack of liquidity, operational failure or other reasons; and • the Group's future success depends to a significant degree upon the continued contributions of its key personnel, its ability to recruit, train, retain and motivate personnel, and to ensure that employment contract terms are appropriate.
D.6	<p>Key risks regarding the N&C Securities</p> <ul style="list-style-type: none"> • There are also risks associated with specified types of N&C Securities and with the N&C Securities and the markets generally, including that, unlike a bank deposit, the N&C Securities are not protected by the Financial Services Compensation Scheme ("FSCS") or other government protection scheme. As a result, neither the FSCS nor any other government will pay compensation to an investor in the N&C Securities upon the failure of the Issuer and/or the Guarantor. If the Issuer and/or the Guarantor go out of business or become insolvent, holders of the N&C Securities may lose all or part of their investment in the N&C Securities; • investors in N&C Securities may lose up to the entire value of their investment in the N&C Securities as a result of the occurrence of any of (a) the insolvency of either the Issuer and/or the Guarantor, (b) investors seeking to

Summary of the Programme

sell the N&C Securities prior to their scheduled redemption, (c) a decrease in the value of the Preference Shares to which the N&C Security is linked, and (d) amounts payable being subject to deductions for taxes and/or expenses;

- the N&C Securities represent direct, unconditional, unsecured and unsubordinated obligations of both the Issuer and the Guarantor and rank equally without any preference among themselves with all other present and future direct, unconditional, unsecured and unsubordinated obligations of the Issuer and Guarantor;
- the market value and the amount payable on redemption 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 redemption 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 up to all of the entire amount invested on redemption;
- the N&C Securities will have no established trading market when issued, and one may never develop, or the N&C Securities may be illiquid. In such case, investors may not be able to sell their N&C Securities easily or at favourable prices; and
- the N&C Securities will be settled by the Issuer through one or more clearing systems and agents. In addition investors may hold N&C Securities through one or more intermediaries. As a result it may be necessary to enforce rights under the N&C Securities through such indirect holding structure and delays and settlement risk may exist as a result.

Additionally, the risks relating to investment in the N&C Securities depend on their features and may include, *inter alia*, risks relating to (but not limited to) operational/business risk, credit risk, liquidity risk, interest rate risk, regulatory risk, reputational risk, competition risk, unsecured obligations, market risk, emerging 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 the preference shares or other reference item(s) (in the case of interest), no claim against the preference shares or other reference item(s) (in the case of interest) to which the N&C Securities relate, exchange rate risk s, optional redemption risk, early redemption risk, settlement disruption, settlement risk, possible illiquidity of N&C Securities, equity risk, currency risk, underlying volatility risk, fund risk, failure to deliver due to illiquidity, inflation risk, modification, meetings, market disruption, a requirement to hold a minimum amount of N&C Securities, transfer restrictions, exchange, listing and legal regulation risk, risk arising from Calculation Agent discretion, over-allotment risk, risk relating to the discontinuation or withdrawal of the offer period, risk relating to inventory securities issues prior to their date of purchase and eurosystem eligibility risk.

Risk Warning

Issue Specific Summary:

See D3 above. In addition:

- investors in N&C Securities may lose up to the entire value of their investment in the N&C Securities as a result of the terms of the relevant N&C Securities as invested amounts are subject to the performance of Preference Shares; and
- 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.

Summary of the Programme

SECTION E – OFFER

Element	
E.2b	<p>Use of proceeds</p> <p>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 any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.</p> <p><i>[Issue specific summary</i></p> <p>The net proceeds from the issue of N&C Securities will be applied by the Issuer [for its general corporate purposes] [and] <i>[specify other]</i>].</p>
E.3	<p>Terms and conditions of the offer:</p> <p>If so specified in the applicable Final Terms, the N&C Securities may be offered to the public in a Non-exempt Offer in one or more specified Non-Exempt Offer jurisdictions.</p> <p>The terms and conditions of each offer of N&C Securities will be determined by agreement between the Issuer and the relevant Dealers at the time of issue and specified in the applicable Final Terms. Offers of the N&C Securities are conditional on their issue. An Investor intending to acquire or acquiring any N&C Securities in a Non-exempt Offer from an Authorised Offeror will do so, and offers and sales of such N&C Securities to an Investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocations and settlement arrangements.</p> <p><i>Issue specific summary:</i></p> <p>[Not Applicable - the N&C Securities are not being offered to the public as part of a Non-Exempt Offer]</p> <p>[This issue of N&C Securities is being offered in a Non-exempt Offer in [Ireland/the United Kingdom/<i>specify other</i>].]</p> <p>The issue price of the N&C Securities is 100 per cent. of their nominal amount.</p> <p><i>[Summarise the terms of any Non-exempt Offer as set out in paragraph 9.5 and section 10 of Part B of the Final Terms]</i></p>
E.4	<p>Description of any interest of natural and legal persons involved in the issue/offer that is material to the issue/offer including conflicting interests</p> <p>The relevant Dealers may be paid fees in relation to any issue of N&C Securities under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business.</p> <p><i>Issue specific summary</i></p> <p>[Other than as mentioned above, [and save for [any fees payable to the Dealer [and any other Authorised Offeror]] [●],] so far as the Issuer is aware, no person involved in the [issue]/[offer] of the N&C Securities has an interest material to the offer, including conflicting interests.][<i>specify other</i>]</p>
E.7	<p>Expenses charged to the investor by the Issuer</p> <p>Not applicable - No expenses will be charged to an investor by the Issuer.</p>

Risk Factors

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 and the Guarantor 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 and the Guarantor 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 and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. The Issuer and the Guarantor have identified in this Base Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due under the 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 Guarantor or that the Issuer or Guarantor 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 Base Prospectus and reach their own views prior to making any investment decision.

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

Contents of the Risk Factors

1. **Key risks with respect to an investment in the 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 where interest amounts are linked to one of more Reference Item(s)**
54. **Risks associated with N&C Securities due to their linkage to the value of Preference Shares**
6. **Risk factors relating to the Issuer, the Guarantor 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 up to the entire value 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 Preference Shares perform in such a manner that the final redemption amount and/or optional redemption amount and/or early redemption amount is less than the initial purchase price. The N&C Securities are not "capital protected" and investors may risk losing some or all of their investment if the value of the Preference Shares does not move in the anticipated direction;
 - (b) the Issuer and Guarantor of the relevant N&C Securities are subject to insolvency proceedings or some other event impairing their ability to meet their obligations under the N&C Securities;

Risk Factors

- (c) the investor seeks to sell the relevant N&C Securities prior to their scheduled redemption, and the sale price of the N&C Securities in the secondary market is less than the purchaser's initial investment; and
- (d) amounts payable may be subject to deductions for taxes and/or expenses.

1.2 The N&C Securities are unsecured obligations of the Issuer and the Guarantor

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.

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

1.3 No government or other protection

The N&C Securities issued by Abbey National Treasury Services plc and the guarantee provided by Santander UK plc are not savings accounts or deposits of either the Issuer or Guarantor or any member of the Santander Group. The 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 Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the 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 (including the Preference Shares) and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser and/or other professional advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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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 specified in the relevant Issue Terms in respect of any N&C Securities 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 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. Additionally, the N&C Securities are linked to the value of Preference Shares and the performance of the relevant reference item(s) to which the relevant Preference Shares relate (such underlying reference item(s), the "**Preference Share Underlying(s)**") may be such that, as at the Issue Date, the market value of the N&C Security is less than the Issue Price. This can cause a difference between the theoretical value of the N&C Securities and any bid and offer prices quoted by the Issuer, the Guarantor, any Affiliate or any third party. Such differences may be greater when the 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 redemption (including optional redemption and early redemption) 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 redemption 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 redemption

(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 and/or the Guarantor

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

(c) Effect of the performance of the underlying Preference Shares and the underlying reference item(s) to which the Preference Shares relate

The N&C Securities represent an investment linked to the economic performance of Preference Shares and investors should note that any return on their investment in such N&C Securities will depend upon the performance of such Preference Shares and, in turn, the Preference Share Underlying(s). Investors should not invest in any N&C Securities if they do not fully understand how the performance of the Preference Shares and the relevant Preference Share Underlying(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 of the

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Preference Shares to the movement in price or level of the Preference Share Underlying(s) (sometimes referred to as "leverage").

The amounts payable at redemption in respect of N&C Securities are linked to the performance of the Preference Shares. Accordingly an investor must generally make correct predictions as to the direction, timing and magnitude of an anticipated change in the value of the Preference Shares. 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 Preference Share Underlying(s) should not be taken as an indication of future performance of such Preference Shares (or the relevant Preference Share Underlying(s)) during the term of such N&C Security.

- (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 Guarantor (if any) and the performance of the Preference Shares*

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 Guarantor (if any) and the performance of the Preference Shares, including:

- (i) market interest and yield rates;
- (ii) fluctuations in currency exchange rates;
- (iii) liquidity of the N&C Securities and/or of Preference Share Underlying(s) in the secondary market;
- (iv) the time remaining to any redemption date or maturity date;
- (v) the performance of the relevant Reference Item(s) where the interest amount is determined by reference to the performance of such Reference Item(s); 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, the Preference Shares Underlying(s) or other 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 redemption. 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 redemption and expectations concerning the value of the Preference Shares and any other relevant Reference Item(s).

Before 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 Preference Shares, the Preference Share Underlying(s) and any other Reference Item(s), (iii) the time remaining to maturity, (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 Preference Shares and the Preference Share Underlying(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 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 Preference Shares 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 pay in full and on time the

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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*

The holders of the N&C Securities are exposed to the performance of the Preference Shares and, in the case of variable interest N&C Securities, the Reference Item(s). The price, performance or investment return of the Preference Shares and the Reference Item(s) may be subject to sudden and large unpredictable changes over time and this degree of change is known as "volatility". The volatility of the Preference Shares or the Reference Item(s) may be affected by national and international financial, political, military or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these events or activities could adversely affect the value of the N&C Securities.

(g) *The market value of N&C Securities and the amount(s) 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 redemption amount for the Preference Shares or the interest 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 redemption amount for the Preference Shares or the interest amount that may be payable in respect of the N&C Security may be greater than any positive and/or negative performance of the Preference Shares Underlying(s) or 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 reduction on the amounts payable in respect of the N&C Securities and consequently may negatively impact the market value of the N&C Securities.

Where a formula used to determine the redemption amount for the Preference Shares or the interest 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 redemption amount for the Preference Shares or the interest amount that may be payable in respect 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 Preference Shares Underlying(s) or the Reference Item(s) may carry the risk of a correspondingly lower increase (if any) in the amounts payable in respect of the N&C Securities and consequently may negatively impact the market value of the N&C Securities.

2.4 *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.

2.5 *There may not always be a secondary market for the N&C Securities*

(a) *The Issuer and the Guarantor 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

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N&C Securities. Investors should however, be aware there may be a general lack of liquidity in the secondary market for many types of instruments, which may include instruments similar to the N&C Securities may result in investors suffering losses on N&C Securities in secondary resales even if there is no decline in the performance of the Preference Shares or other relevant Reference Item(s) or of the Issuer or the Guarantor. The Issuer and the Guarantor 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 or the Guarantor's creditworthiness;
- the market for similar securities or instruments;
- the complexity and volatility of the Preference Shares and other relevant Reference Items (for interest only) applicable to any N&C Securities issued under the Programme;
- the Preference Share Underlying(s) and the performance, complexity and volatility of such Preference Share Underlying(s);
- the method of calculating the interest (if any) 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; and
- the level, direction and volatility of market interest rates generally.

In addition, the 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 the 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 Issue Terms. 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.

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 Final 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 redemption 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.

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- (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 the N&C Securities which may be especially sensitive to interest rate or market risks or are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. As such, the 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 Securities are subject to certain restrictions on the resale and other transfer thereof as set forth under "Subscription and Sale". As a result of such restrictions, the Issuer and the Guarantor cannot be certain of the existence of a secondary market for the 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.

- 2.6 ***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.

- 2.7 ***The N&C Securities may be redeemed prior to their scheduled maturity***

In certain circumstances, the Early Redemption Amount payable on the early redemption 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. In addition, no amount of interest is payable on early redemption unless the relevant Interest Payment Date has then occurred and the relevant interest has not already been paid.

Following early redemption of N&C Securities, the holders of such N&C Securities may not be able to reinvest the redemption 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 redeemed early for a number of reasons, including any of the following reasons:

- (i) the exercise by the Issuer of a call option, if specified to be applicable in the relevant Issue Terms;
- (ii) the occurrence of certain events or other circumstances in relation to a Reference Item relevant to the determination of the interest amount(s) payable from time to time, at the discretion of the Calculation Agent;

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- (iii) in certain circumstances where the Issuer determines that it will be obliged to account for any present or future taxes, duties, assessments or governmental charges (see N&C Security Condition 7.3 (*Redemption for tax reasons*));
- (iv) the receipt by the Issuer of a notice of early redemption of the Preference Shares from the issuer of the Preference Shares for any reason other than a related financial product being subject to early redemption (see N&C Security Condition 7.4(a));
- (v) the Calculation Agent determines that there is a disruption in the hedging activities of the Issuer or any other entity (or entities) providing the Issuer directly or indirectly with hedging arrangements in relation to the N&C Securities (see N&C Security Condition 7.4(c)); or
- (vi) following an Event of Default (see N&C Security Condition 10 (*Events of Default*)).

N&C Securities will be redeemed early if the Calculation Agent determines that the performance of the obligations of the Issuer under the N&C Securities or the obligations of the Guarantor under the Guarantee, or any arrangement 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 (see N&C Security Condition 7.4(b)).

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

2.8 *Rating Agency Credit Ratings*

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

The long-term and short-term issuer credit ratings of the Issuer are provided in this Base Prospectus for information purposes only. Investors should note that a credit rating assigned to the Issuer may not reflect the potential impact of all of the risks related to the structure, market, 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) *Relationship of the Issuer's and Guarantor's Ratings*

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

(c) *Use of credit ratings assigned to a particular series of 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 the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings is set out in the Summary section of this Base Prospectus and may be disclosed in the Issue Terms.

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The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out in this Base Prospectus. Moody's, Fitch and S&P are each established in the European Union and are each registered under the CRA Regulation. As such Moody's, Fitch and S&P are included in the list of the credit rating agencies published by the ESMA on its website in accordance with the CRA Regulation.

- (d) *Credit ratings assigned to the Issuer, the Guarantor or any 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, the Guarantor or a Series of N&C Securities may not reflect the potential impact of all risks related to structure, market or additional factors discussed above, and other factors that may affect the value of those N&C Securities. A reduction in the rating, if any, accorded to outstanding debt securities of the Issuer and/or Guarantor 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.

2.9 *Market Disruption Event and Disrupted Day*

If an issue of N&C Securities or the related Preference Shares include 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 relevant 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 or the related Preference Shares may have an adverse effect on the amount(s) payable in respect of the N&C Securities or the related Preference Shares and, consequently, the value of such N&C Securities.

2.10 *Potential conflicts of interest*

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

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

In the ordinary course of its business, including without limitation in connection with its market making activities, the Issuer and/or any of its affiliates may effect transactions for its own account or for the account of its customers and hold long or short positions in any Preference Shares, the relevant Preference Share Underlying(s), other Reference Item(s) or related derivatives. In addition, in connection with the offering of any N&C Securities, the Issuer and/or any of its affiliates may enter into one or more hedging transactions with respect to any Preference Shares, the relevant Preference Share Underlying(s), other Reference Item(s) or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer and/or any of its affiliates, the Issuer and/or any of its affiliates may enter into transactions in any Preference Shares, the relevant Preference Share Underlying(s), other Reference Item(s) or related derivatives which may affect the market price, liquidity or value of the relevant N&C Securities (including any interest amounts payable thereon) 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.

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

ANTS in its capacity as Issuer and any Dealer may at the date hereof or at any time hereafter, be in possession of information in relation to Preference Shares, the relevant Preference Share Underlying(s) and/or other Reference Item(s) 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 the Issuer or any Dealer 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 the Issuer 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 the Markets in Financial Instruments Directive, 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 tax 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.

2.11 *Calculation Agent's discretion*

The Calculation Agent (which will likely be ANTS or an affiliate of ANTS) has a very broad discretionary authority to make various determinations and adjustments under the N&C Securities, any of which may have an adverse effect on the value and/or the interest 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 Issue Terms. Prospective purchasers should be aware that any determinations made by the Calculation Agent may have an impact on the value and financial return of the 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 holders of the N&C Securities. A calculation agent (which will likely be ANTS or an affiliate of ANTS) has comparable discretion, in respect of the Preference Shares which may in turn affect the value of the N&C Securities.

2.12 *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 or Coupons or the Agency Agreement (as the case may be). The meetings provisions permit

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defined majorities (as set out in N&C Security Condition 16 (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 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 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.

2.13 *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 charges in accordance with the laws and practices of the country where the N&C Securities are transferred. 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 Issue Terms 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

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with respect to the 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 Issue Terms.

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) *Tax treatment of the N&C Securities*

The United Kingdom tax treatment of the N&C Securities for N&C Securityholders depends on their individual circumstances, and prospective Noteholders should seek their own professional advice.

The United Kingdom tax treatment of the N&C Securities for Noteholders may also change during the period between their issue and the date on which they are sold, redeem or otherwise realise value. Such change may be in the form of new legislation or amendments to existing legislation, decisions of the tribunals or courts or changes in HM Revenue & Customs practice, and in each case may affect N&C Securities already in issue and can otherwise be with retrospective effect. Accordingly, the United Kingdom tax treatment of the N&C Securities for N&C Securityholders may be more onerous than was envisaged at the time when a decision to subscribe for the N&C Securities was taken and, as a consequence, the proceeds received and retained by investors after the application of applicable taxes may be less than N&C Securityholders envisage at the time of purchasing the N&C Securities.

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

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

(e) *Foreign Account Tax Compliance Act Withholding*

Whilst the N&C Securities are in global form and held within Euroclear Bank SA/NV or Clearstream Banking, société anonyme (together the "**ICSDs**"), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") will affect the amount of any payment received by the ICSDs (see "*Foreign Account Tax Compliance Act*" in the "*Taxation*" section below). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the N&C Securities are discharged once it has made payment to, or to the order of, the common depositary or common safekeeper for the ICSDs (as bearer of the N&C Securities), and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "**IGA**") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act*".

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(f) *Local transfer tax and other taxes*

French Financial Transaction Tax

Pursuant to the Article 235 *ter* ZD of the French Tax Code, acquisitions for consideration of equity securities in the meaning of Article L 212-1 A of the French Monetary and Financial Code or similar instruments in the meaning of Article L 211-41 of the French Monetary and Financial Code, admitted to trading on a French, European or foreign regulated market within the meaning of Articles L 421-4, L 422-1 or L 423-1 of the French Monetary and Financial Code and issued by a company having its head office in France and a market capitalisation in excess of 1 billion are subject to the French financial transactions tax (the "**French Qualifying Shares**"), levied at the rate of 0.2% (the "**French Financial Transaction Tax**"). The French Financial Transaction Tax also applies to acquisitions of securities issued by an issuer whose head office is not in France when these securities represent French Qualifying Shares (e.g. depositary receipts).

Italian Financial Transaction Tax

Pursuant to Article 1 (491 *et seq*) of Law No. 228 of 24 December 2012, an Italian financial transaction tax (the "**IFTT**") applies to (i) transfers of property rights in shares and other participating securities issued by Italian resident companies (together, "**Relevant Participating Instruments**"); (ii) transfers of property rights in financial instruments representing any such Relevant Participating Instruments, whether or not such financial instruments are issued by Italian resident issuers (such financial instruments, together with the Relevant Participating Instruments the "**Relevant Instruments**"); and (iii) derivative transactions referencing Relevant Instruments (i.e. derivative transactions having an underlying mainly represented by one or more of the Relevant Instruments or whose value is mainly linked to the Relevant Instruments) including securitised derivatives referencing Relevant Instruments (for example warrants, covered warrants and certificates) whether issued by Italian resident issuers or not.

The IFTT is due by the party acquiring ownership of the Relevant Instruments, regardless of the residence of the parties and/or where the transaction is entered into. It applies at a rate of 0.2% reduced to 0.1% if the transaction is executed on a regulated market or a multilateral trading system of a EU or EEA Member State exchanging information with the Italian tax authorities. The taxable base is the "transaction value" (i.e. the consideration agreed between the parties). However, if at the same date, a subject carries on a number of transactions involving the same instruments, the taxable base is computed based on the net balance of these transactions.

With respect to derivative transactions referencing Relevant Instruments including securitised derivatives the IFTT applies regardless of the tax residence of both the counterparties of the transactions (*ciascuna delle controparti delle operazioni*) and/or where the transaction is executed. The IFTT is levied at a fixed amount of between EUR 0.01875 and EUR 200 per transaction that will vary depending on the features and the notional value of the securitised derivatives. A reduced IFTT (one fifth of the standard rate) will be payable in respect of transactions executed on regulated markets or multilateral trading facilities of EU Member States and of the EEA that are included in the list set out by the Ministerial Decree issued pursuant to Article 168-bis of TUIR.

However the IFTT does not apply where one of the parties to the transaction is the European Union, the European Central Bank ("**ECB**"), central banks of the EU Member States, foreign Central Banks or entities which manage the official reserves of a foreign State, or international bodies or entities set up in accordance with international agreements which have entered into force in Italy. Further specific exemptions exist including, *inter alia*, for (i) subjects who carry on market making activities; (ii) mandatory social security entities and pension funds set up according to Legislative Decree No. 252 of 5 December 2005; and (iii) entities merely interposed in the execution of a transaction.

The IFTT shall be generally levied by the banks and other financial intermediaries (the "**Intermediaries**") that are involved, in any way, in the execution of the transaction and subsequently paid to the Italian Revenue. If more than one Intermediary is involved in the execution of the transaction, the IFTT is levied by the Intermediary who receives the order of execution from the purchaser of the Relevant Instruments or, in the case of derivative transaction or securitised derivative referencing a Relevant Instrument, from the counterparty to or purchaser of such derivative. Intermediaries not resident in Italy can appoint an Italian representative for the purposes of the IFTT. If no Intermediaries are involved in the execution of the transaction, the IFTT must be paid by each relevant party to the transaction themselves.

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

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

(g) *The proposed EU financial transactions tax*

On 14 February 2013, the European Commission issued proposals including a draft Directive (the "**Commission's Proposal**") for a financial transactions tax ("**FTT**") to be adopted in certain participating EU member states (including Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia). If the Commission's Proposal is adopted, the FTT would be a tax primarily on "financial institutions" (which could include the Issuer) in relation to "financial transactions" (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments).

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 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 FTT may give rise to tax liabilities for the Issuer with respect to certain transactions if it is adopted based on the Commission's Proposal. Examples of such transactions are the conclusion of a derivative contract in the context of the Issuer's hedging arrangements or the purchase or sale of securities. The Preference Shares may provide for certain adjustments or action to be taken to account for such circumstances and therefore this may result in investors receiving less than expected in respect of the N&C Securities. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the N&C Securities (including secondary market transactions) if conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's Proposal. Primary market transactions referred to in Article 5(c) of Regulation EC No 1287/2006 are expected to be exempt. There is however some uncertainty in relation to the intended scope of this exemption for certain money market instruments and structured issues.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax, and the time when it will be implemented, is uncertain. Additional EU Member States may decide to participate.

(h) *No additional amounts will be payable*

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

(i) *Withholding under the EU Savings Directive*

Under Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the **Savings Directive**), EU Member States are required to provide to the tax authorities of other EU Member States details of certain payments of interest or similar income paid or secured by a person established in an EU Member State to or for the benefit of an individual resident in another EU Member State or certain limited types of entities established in another EU Member State.

For a transitional period, Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU

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countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 10 November 2015, the Council of the European Union adopted a Council Directive repealing the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other EU Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the Savings Directive, although it does not impose withholding taxes.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system, and an amount of, or in respect of tax, were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions) nor any other person would be obliged to pay additional amounts with respect to any N&C Security as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

2.14 *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.

2.15 *Hedging*

In connection with the offering of the N&C Securities, the Issuer, the Guarantor and/or any of their affiliates or other parties may enter into one or more hedging transactions with respect to the Preference Shares, the Preference Share Underlying(s) or such other Reference Item(s) 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, the Guarantor and/or any of their affiliates or other parties, the Issuer, the Guarantor and/or any of its affiliates or other parties may enter into transactions in the Preference Shares, 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.

2.16 *Postponement or alternative provisions for the valuation of a Reference Item or the underlying reference asset for the related Preference Shares may have an adverse effect on the amounts payable in respect of the N&C Securities and the value of the N&C Securities*

An issue of N&C Securities or the related Preference Shares may provide that if 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 or Preference Shares and/or (ii) falls on a day in

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respect of which a disruption or similar event has occurred and is continuing in respect of the Reference Item or Preference Share Underlying(s) which affects the valuation of such Reference Item or Preference Share Underlying(s), the relevant calculation agent has broad discretion to make any consequential postponement of, or any alternative provisions for, valuation of such Reference Item or Preference Share Underlying(s) provided in the terms and conditions of the N&C Securities or Preference Shares, including a determination of the value of such Reference Item Preference Share Underlying(s) by the Calculation Agent in its discretion, each of which may have an adverse effect on the value of the N&C Securities or Preference Shares.

2.17 *Emerging Markets Risks*

Where the determination of interest amounts in respect of the N&C Securities relate to Reference Items associated with, or denominated in the currencies of, emerging market countries, or the Preference Share Underlying(s) are 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) or the Preference Share Underlying(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) or the Preference Share Underlying(s) and, in turn, the relevant N&C Securities.
- *Currency risk:* Reference Item(s), the Preference Share Underlying(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.
- *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) or the Preference Share Underlying(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 or Preference Share Underlying(s) 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) or the Preference Share Underlying(s) and, in turn, the relevant N&C Securities.

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2.18 *Discontinuation or withdrawal of offer period*

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

Unless otherwise provided in the applicable Issue Terms, the Issuer and/or the other entities specified in the applicable Issue Terms may terminate the offer early by immediate suspension of the acceptance of further subscription requests. Any such termination may occur even where the maximum amount for subscription in relation to that offer (as specified in the applicable Issue Terms), has not been reached. In such circumstances, the early closing of the offer may have an impact on the aggregate number of 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 Issue Terms will have the right to postpone the originally designated Issue Date. For the avoidance of doubt, this right applies also in the event that the Issuer publishes a supplement to this Base Prospectus in accordance with the provisions of the Prospectus Directive. In the event that the issue date is so delayed, no compensation or amount in respect of interest shall be payable or otherwise accrue in relation to such N&C Securities unless otherwise agreed between the investor and the relevant distributor or the policies of the distributor or financial intermediary so provide.

2.19 *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.

2.20 *Post-issuance information*

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

2.21 *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) (if any) or Preference Shares to which the relevant Inventory N&C Securities may be linked as set forth in the Issue Terms will have been extracted by the Issuer from publicly available sources but will not have been prepared by, or on behalf of, and will not have been verified by, or on behalf of, the Issuer, the Guarantor (if applicable), the Dealer or any other member of the Santander Group, each of which will have disclaimed any responsibility for such information. Such information may be out of date and none of the Issuer, the Guarantor, the Dealer or any other member of the Santander Group shall provide any updated information in relation to the Reference Item(s) (if any) or Preference Share(s). If there has been any change in the Reference Item(s) (if any) or Preference Shares since the date of the Issue Terms, 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

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situation or condition of the Issuer and/or the Guarantor (if applicable) since the date of the Issue Terms will not be disclosed and may have an adverse effect on the value of the relevant Inventory N&C Securities.

- 2.22 ***If an investor holds N&C Securities which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any 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 and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the N&C Securities, (2) the Investor's Currency equivalent value of the principal payable on the N&C Securities, and (3) 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 or the Guarantor to make payments in respect of the N&C Securities. As a result, investors may receive less interest or principal than expected, or no interest or principal.

- 2.23 ***The Issuer and the Guarantor 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 and the Guarantor may be a party to contracts with a number of other third parties that have agreed to perform services in relation to the 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.

3. Risks associated with the N&C Securities

3.1 *Settlement risks and risk of capital loss*

The Issuer will redeem N&C Securities by payment of a cash amount ("**Cash-Settled N&C Securities**"). In certain circumstances, the cash amount payable on Cash-Settled N&C Securities on redemption of such N&C Securities (whether at maturity or otherwise) may be less than the principal amount of the N&C Securities together with any accrued interest and may in certain circumstances be zero.

- 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 Preference Shares (had they remained outstanding) and in turn the Preference Share Underlying 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 or rate of return on the N&C Securities***

If the applicable Issue Terms specify that the N&C Securities are redeemable at the option of the Issuer, the Issuer may redeem such N&C Securities at times when the prevailing interest rates may be relatively low. As a consequence, the yields (if any) received upon redemption may be lower than expected, and the redeemed face amount of the N&C Securities may be lower than the purchase price for the N&C Securities paid by the 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

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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 occurs. 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. 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 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 Euro-system Eligibility in relation to N&C Securities

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

3.5 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.

3.6 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

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and for all other purposes. Upon receipt of amounts owing in respect of the Immobilised Bearer Global N&C Securities, the Book-Entry Depository 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.

3.7 *Limitations on ownership of Book-Entry Interests*

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

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

3.8 *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. 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.

3.9 *CREST Depository Interests*

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

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

CREST International Nominees Limited or another entity appointed to act as nominee (the "**CREST Nominee**") in accordance with the CREST Global Deed Poll (in the form from time to time contained in Chapter 8 of the CREST International Manual (which forms part of the CREST Manual (as defined below)) (the "**CREST Deed Poll**") will hold the legal title to the Underlying Securities and the direct enforcement right in respect of the Underlying Securities. This could result in a holder of CREST Depository Interests receiving less than, or none of, the full amount payable in respect of the Underlying Securities in the event of any insolvency or liquidation of any relevant intermediary, in particular where the

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Underlying Securities held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

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

These arrangements could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Securities in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Securities held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

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

Holders of CREST Depository Interests will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to the CREST International Manual and the CREST Rules applicable to the CREST International Settlement Links Service (in each case as contained in the CREST Manual issued by CREST dated 1 September 2015, as amended, modified, varied or supplemented from time to time (the "**CREST Manual**")). 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 and the CREST Manual (including, for the avoidance of doubt, the provisions of the CREST International 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 Securities which are not represented by CREST Depository Interests.

Investors in CREST Depository Interests should note that holders of CREST Depository Interests may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Underlying Securities through the CREST International Settlement Links Service.

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

3.10 *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.

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3.11 ***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.

3.12 ***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.

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

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

4. Risks associated with N&C Securities where interest amounts 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 equities (or basket of equities), indices (or basket of indices) (which may include equity indices, inflation indices or property indices) or, in the case of Exempt N&C Securities only, other underlying assets (each a "**Reference Item**", which definition may include, where appropriate, a component of such an index or asset or basket thereof) which may be specified in the applicable Issue Terms, and general risks applicable to the stock market (or markets) and capital markets. N&C Securities for which the determination of the relevant interest amounts are linked to the performance of the Reference Item may not provide for predetermined interest payments, but interest amounts payable 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 or reduced interest payment when compared to their expectations.

Prospective purchasers of N&C Securities should recognise that their N&C Securities, other than N&C Securities having a minimum interest amount (subject to comments above about the Issuer's and the Guarantor's solvency and deduction of taxes and expenses), may receive no interest payment in respect of some or all Interest Periods. Purchasers should be prepared not to receive any amounts in respect of interest, except, if so indicated in the applicable Issue Terms, to the extent that minimum interest amounts are payable (subject to the comments above).

Investments in N&C Securities where the interest amounts are 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

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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.

Furthermore, the value of the Reference Item(s) may be observed for valuation purposes at a particular time(s) on a particular day(s). Markets in Reference Items may move significantly in very short periods of time. As such prospective purchasers should be aware that the value observed for the Reference Item may not reflect the value of the Reference Item which has prevailed at other times on the relevant valuation day or in the period immediately preceding such day. For example, this may occur if the valuation time falls at any time during a "Flash Crash", similar in nature to that which occurred on the New York Stock Exchange on 6 May 2010, in which the relevant market moves significantly downwards before subsequently correcting shortly afterwards. Whilst the terms of the 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 interest payable on 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 interest 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 payments of interest on 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.

None of the Issuer, Guarantor, Calculation Agent nor any Dealer provide any advice with respect to any Reference Item nor make any representation as to its quality, credit or otherwise, and investors in the 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 where interest payments are 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 Risks relating to Equity Linked Interest N&C Securities

The Issuer may issue Equity Linked Interest N&C Securities where the amount of interest payable is dependent upon the price of or changes in the price of equity securities or a basket of equity securities and/or whether the price of equity securities or a basket of equity securities is equal to, above or below one or more specified levels. Equity securities may include depositary receipts.

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

Potential investors in Equity Linked Interest N&C Securities should be aware that, depending on the terms of the Equity Interest Linked N&C Securities, (i) they may receive no interest or a limited amount of interest and (ii) payment of interest may occur at a different time than expected. In addition, the movements in the price of the equity security or basket of equity securities may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices, and the timing of changes in the relevant price of the equity security or equity securities may affect the actual yield to investors, even if the average level is consistent with their expectations.

In the case of Equity Linked Interest N&C Securities following the declaration by the Share Company (as defined in the Equity Linked Conditions) of the terms of any Potential Adjustment Event (as defined in the Equity Linked Conditions), the Calculation Agent will, acting in good faith and in a commercially reasonable manner, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares and, if so, will (i) make the corresponding adjustment, if any, to any of the terms of the relevant Conditions and/or the applicable Issue Terms (in each case, only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)) as the Calculation Agent acting in good faith and in a commercially reasonable manner determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and (ii) determine the effective date of that adjustment. Such adjustment may have an adverse effect on the value and liquidity of the affected Equity Linked Interest N&C Securities.

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

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

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

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

No Share Company or Basket Company (as such terms are defined in the Equity Linked Conditions) will have participated in the preparation of the relevant Issue Terms or in establishing the terms of the Equity Linked Interest N&C Securities and

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none of the Issuer, the Guarantor or any Dealer will be required to make any investigation or enquiry in connection with such offering with respect to any information concerning any such Share Company or Basket Company contained in such Issue Terms or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the relevant issue date (including events that would affect the accuracy or completeness of the publicly available information described in this paragraph or in any relevant Issue Terms) that would affect the trading price of the share or depositary receipt (where applicable) will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such a Share Company or Basket Company could affect the trading price of the share or depositary receipt (where applicable) and therefore the trading price of the Equity Linked Interest N&C Securities.

4.4 Risks relating to Equity Index Linked Interest N&C Securities

The Issuer may issue Equity Index Linked Interest N&C Securities where the amount of interest payable is 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 interest payable is 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 Interest N&C Securities, (i) they may receive no interest or a limited amount of interest and (ii) payment interest may occur at a different time than expected. 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 Interest 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/ETF Linked Conditions) has occurred at any relevant time. Any such determination may have an effect on the timing of valuation, and consequently the value of the N&C Securities, and/or may delay settlement of interest amounts in respect of the N&C Securities. In addition certain extraordinary events may lead to early redemption 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 Linked Index Conditions in conjunction with the applicable Issue Terms.

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

The market price of Equity Index Linked Interest 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.

4.5 Risks relating to ETF Linked Interest N&C Securities

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

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

Potential investors in ETF Linked Interest N&C Securities should be aware that, depending on the terms of the ETF Linked Interest N&C Securities, (i) they may receive no interest or a limited amount of interest and (ii)

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payment of interest may occur at a different time than expected. In addition, the movements in the price of units or shares in the ETF or ETFs may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices, and the timing of changes in the relevant price of the units or shares in the ETF or ETFs may affect the actual return to investors, even if the average level is consistent with their expectations. In addition, the ETF interests may be illiquid and this may adversely affect returns (if any) on the N&C Securities.

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

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

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

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

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

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

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

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

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

There are numerous additional risks relating to ETF Linked Interest N&C Securities. For all of the above reasons, investing directly or indirectly in ETFs is generally considered to be risky. If the underlying ETF does not perform

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sufficiently well, the amount of interest payable in respect of the N&C Securities will fall and the value of the N&C Securities may fall.

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

4.6 *Risks relating to Inflation Index Linked Interest N&C Securities*

The Issuer may issue Inflation Index Linked Interest N&C Securities where the amount of interest payable is 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 interest payable is 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 Interest Securities (i) they may receive no interest or a limited amount of interest and (ii) payment of interest may occur at a different time than expected. 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 Interest 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 of interest amounts in respect of the N&C Securities and consequently adversely affect the value of the N&C Securities. In addition certain extraordinary or disruption events may lead to early redemption 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 Issue Terms.

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

A relevant consumer price index or other formula linked to a measure of inflation to which the interest amounts payable in respect of 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.

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 of Inflation Index Linked Interest 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 Interest 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

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exchange(s) or quotation system(s) on which any securities comprising the inflation/consumer price index or indices may be traded.

4.7 *Risks relating to Property Index Linked Interest N&C Securities*

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

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

Potential investors in any such N&C Securities should be aware that depending on the terms of the Property Index Linked Interest N&C Securities (i) they may receive no interest or a limited amount of interest and (ii) payment of interest may occur at a different time than expected. In addition, the movements in the level of the property index or indices may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant level of the index or indices may affect the actual return to investors, even if the average level is consistent with their expectations.

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

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

The market price of Property Index Linked Interest 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 property index or indices may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which any securities comprising the property index or indices may be traded.

5. *Risks associated with N&C Securities linked to Preference Shares*

5.1 *General considerations with respect to underlying Preference Shares*

Amounts payable upon redemption of the N&C Securities are linked to Preference Shares and 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 Preference Share Underlying(s). These may include equities (or baskets of equities) and indices (or baskets of indices) (including equity indices, inflation indices and property indices) and general risks applicable to the stock market (or markets) and capital markets. The N&C Securities do not provide for predetermined redemption amounts, but amounts payable will be dependent upon the performance of the Preference Shares, which itself may contain substantial risks. If the performance of the Preference Shares 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.

An investment in the N&C Securities will represent an investment linked to the economic performance of the Preference Shares which will in turn be linked to the economic performance of one or more Preference Share Underlying(s) and prospective investors should note that the return (if any) on their investment in such N&C Securities will depend upon the performance of the Preference Shares, which will in turn depend upon the performance of such Preference Share

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Underlying(s). Potential investors should also note that whilst the redemption amount of the N&C Securities is linked to the market value of Preference Shares which will be influenced (positively or negatively) by the Preference Share Underlying(s) in respect of the relevant Preference Shares, any change may not be comparable to a direct investment in such Preference Share Underlying(s) and may be disproportionate. It is impossible to predict how the level of the relevant Preference Share Underlying(s) will vary over time. In contrast to a direct investment in the relevant Preference Share Underlying(s), the N&C Securities represent the right to receive payment of the Final Redemption Amount(s), the value of which will be determined by reference to the market value of the relevant Preference Shares, which depends upon the performance of the relevant Preference Share Underlying(s).

As the amounts payable in respect of N&C Securities are linked to Preference Shares which are in turn linked to the performance of the relevant Preference Share Underlying(s), a purchaser of a N&C Security must generally be correct about the direction, timing and magnitude of an anticipated change in the value of the relevant Preference Share Underlying(s). Assuming all other factors are held constant, the lower the value of the Preference Shares and the shorter the remaining term to redemption, the greater the risk that purchasers of such N&C Securities will lose all or part of their investment.

Prospective purchasers of N&C Securities should recognise that their N&C Securities may be worthless on redemption. Purchasers should be prepared to sustain a total loss of the purchase price of their N&C Securities. 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.

The N&C Securities are not principal protected. Investors in N&C Securities risk losing their entire investment (including the loss of any transaction costs paid by the investor) if the value of the relevant Preference Shares and/or the Preference Share Underlying(s) of the relevant Preference Shares do not move in the anticipated direction.

Investments in the N&C 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 Preference Shares relative to their initial value, and must also be correct about when any change will occur. If the value of the Preference Shares do not increase, or decreases, as the case may be, before such N&C Security is redeemed, part of the investor's investment in such N&C Security may be lost on such redemption. 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 and the Guarantor cannot assure a trading market for the N&C Securities will ever develop or be maintained*" above).

Fluctuations in the value and/or volatility of the relevant Preference Share Underlying(s) will affect the value of the relevant Preference Shares and as a result, the value of the N&C Securities. Other factors which may influence the market value of the Preference Shares and as a result, the value of the N&C Securities, include interest rates, potential dividend or interest payments (as applicable) in respect of the relevant Preference Share Underlying(s), changes in the method of calculating the relevant Preference Share Underlying(s) from time to time and market expectations regarding the future performance of the relevant Preference Share Underlying(s) and its composition.

The value of the Preference Shares and the relevant Preference Share Underlying(s) may be observed for valuation purposes at a particular time(s) on a particular day(s). The value of the Preference Shares and the relevant Preference Share Underlying(s) may move significantly in very short periods of time. As such prospective purchasers should be aware that the value observed for the Preference Shares and/or the relevant Preference Share Underlying(s) may not reflect the value of the Preference Shares and/or the relevant Preference Share Underlying(s) which have prevailed at other times

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on the relevant valuation day or in the period immediately preceding such day. For example, this may occur if the valuation time falls at any time during a "Flash Crash", similar in nature to that which occurred on the New York Stock Exchange on 6 May 2010, in which the relevant market moves significantly downwards before subsequently correcting shortly afterwards. Whilst the terms of the Preference Shares may include provisions to allow postponement of valuation of the relevant Preference Share Underlying(s) in the event of certain disruptions in the market, not all significant market movements will be covered by these provisions. Depending on the relevant Preference Share Underlying(s) for the Preference Shares, the volatility of prices at the opening or closing of relevant markets (which is traditionally caused as many trades are executed at such time) may itself have an effect on the prices of the Preference Shares and consequently the N&C Securities.

PROSPECTIVE INVESTORS SHOULD REVIEW THE TERMS AND CONDITIONS OF THE PREFERENCE SHARES TO UNDERSTAND THE RELEVANT PREFERENCE SHARE UNDERLYING(S) AND TO UNDERSTAND FACTORS AFFECTING THE VALUE OF THE PREFERENCE SHARES BEFORE MAKING ANY DECISION TO PURCHASE ANY N&C SECURITIES.

The historical experience of the Preference Shares or any relevant Preference Share Underlying(s) should not be taken as an indication of future performance of such Preference Shares or such Preference Share Underlying(s) 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 value of the Preference Shares is below, equal to or not sufficiently above the value of the Preference Shares on the Issue Date. The historical value of any Preference Share should not be taken as an indication of such Preference Share's future performance during the term of any N&C Security.

The Issuer may issue several issues of N&C Securities relating to a particular series of Preference Shares linked to a particular Preference Share Underlying. However, no assurance can be given that the Issuer will issue any such N&C Securities. At any given time, the number of N&C Securities outstanding may be substantial. N&C Securities provide opportunities for investment and pose risks to investors as a result of fluctuations in the value of the relevant Preference Shares, as a result of fluctuations in the value of the relevant Preference Share Underlying(s).

None of the Issuer, Guarantor, Calculation Agent nor any Dealer provide any advice with respect to any of the Preference Shares nor make any representation as to the quality, credit or otherwise of the Preference Shares, and investors in the N&C Securities must rely on their own sources of analysis, including credit analysis with respect to any of the Preference Shares. No investigation or review of the Preference Shares, including, without limitation, any public filings made by the issuer or obligor of the Preference Shares, 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 Preference Shares. Nor is any guarantee or express or implied warranty made in respect of the selection of the Preference Shares or is any assurance or guarantee given as to the performance of the Preference Shares. Potential investors should not conclude that the sale by the Issuer of the N&C Securities is any form of investment recommendation by it or any of its affiliates.

5.2 Risks Relating to the early redemption of the Preference Shares

The issuer of the relevant Preference Shares (the "**Preference Share Issuer**") may early redeem or cancel the Preference Shares if the Preference Share Issuer or the calculation agent in respect of the Preference Shares (the "**Preference Share Calculation Agent**") (on behalf of the Preference Share Issuer) determines that:

- (i) any event occurs in respect of which the adjustment provisions under the terms and conditions of the Preference Shares provide the Preference Shares may be redeemed; or
- (ii) the performance of the obligations of the Preference Share Issuer under the Preference Shares, or any relevant hedging arrangement made to hedge the Preference Share Issuer's obligations under the Preference Shares, has or will become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgement, order or directive of any governmental, administrative, legislative or judicial authority or power, or the interpretation thereof; or

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- (iii) a change in applicable law or regulation occurs that in the determination of the Preference Share Calculation Agent results, or will result, by reason of the Preference Shares being outstanding, in the Preference Share Issuer being required to be regulated by any additional jurisdiction or regulatory authority, or being subject to any additional legal requirement or regulation or tax considered by the Preference Share Issuer to be onerous to it; or
- (iv) the Preference Share Issuer is notified that any related financial product (such as the N&C Securities) have become subject to early redemption.

If the Issuer receives a notice from the Preference Share Issuer of early redemption of the Preference Shares, the Issuer will notify N&C Securityholders in accordance with N&C Security Condition 14 and each N&C Security shall be redeemed at its Early Redemption Amount in accordance with N&C Security Condition 7.5.

The Early Redemption Amount in this case is determined taking into account the value of the Preference Shares immediately prior to the time of the early redemption of the N&C Securities and such Preference Share value in turn may take into account deduction of certain costs of the Preference Share Issuer and also certain costs of issuers and their hedging counterparties in relation to financial products (such as the N&C Securities) related to the Preference Shares. This may mean the value of the Preference Shares and consequently the Early Redemption Amount in respect of the N&C Securities, is less, and in some cases significantly less or zero, as a result.

5.3 *No Claim against any Reference Item*

A N&C Security will not represent a claim against any Preference Share or any Preference Share Underlying and, in the event of any loss, a N&C Securityholder will not have recourse under a N&C Security to any Preference Share or any Preference Share Underlying. 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 Preference Share or any Preference Share Underlying and such entities have no obligation to take into account the consequences of their actions on any N&C Securityholders.

5.4 *Risks in relation to Preference Share Underlyings*

An investment in N&C Securities will entail significant risks not associated with conventional securities such as debt or equity securities. N&C Securities will be settled by payment of an amount determined by reference to the performance of the relevant Preference Shares, which depend on the performance of the relevant Preference Share Underlying(s). If the value of the Preference Share Underlyings(s) does not move in the anticipated direction, the performance of the Preference Shares may be negative and thus the value of the N&C Securities linked to such Preference Shares will be adversely affected. Purchasers of N&C Securities risk losing all or a part of their investment if the market value of the Preference Shares does not move in the anticipated direction.

(a) Risks relating to Index Linked Preference Shares

The N&C Securities are dependent upon the performance of the Preference Shares which may be in turn dependent on the level of or changes in the level of an index or a basket of indices ("**Index Linked Preference Shares**"). The index or indices may be equity indices, inflation indices or property indices, and may be a well known and widely published index or indices or an index or indices established by the Issuer or another entity which may not be widely published or available. An investment in N&C Securities linked to Index Linked Preference Shares will entail significant risks not associated with a conventional security.

Potential investors in N&C Securities linked to Index Linked Preference Shares should be aware that, depending on the terms of the Index Linked Preference Shares, payments may occur at a different time than expected and they may lose all or a substantial portion of their investment if the value of the Preference Shares, determined by reference to the value of the index/indices, does not move in the anticipated direction.

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

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index or indices may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the level of an index or result of a formula, the greater the effect on yield.

If amounts payable under the Index Linked Preference Shares 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 the Index Linked Preference Shares will be magnified. This may, in turn, be reflected in the market value of the Index Linked Preference Shares (which will be relevant to calculating the Final Redemption Amount, any Optional Redemption Amount or any Early Redemption Amount of the N&C Securities).

Prospective purchasers should review the Base Prospectus, the relevant Issue Terms and the terms and conditions of the relevant Preference Shares to ascertain whether and how adjustment provisions apply to the Preference Shares, the potential for the Preference Shares to be cancelled or redeemed and the effect of such adjustments on the N&C Securities.

The market price of N&C Securities linked to Index Linked Preference Shares may be volatile and may depend on the time remaining to the redemption 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 notionally comprising the index or indices may be traded.

(b) Risks relating to Equity Linked Preference Shares

The N&C Securities are dependent upon the performance of the Preference Shares which may be in turn dependent on the price of or changes in the price of shares or a basket of shares or the price of a GDR/ADR or a basket of GDRs/ADRs ("**Equity Linked Preference Shares**"). Accordingly, an investment in N&C Securities linked to Equity Linked Preference Shares may bear similar market risks to a direct equity investment and investors should take advice accordingly. An investment in N&C Securities linked to Equity Linked Preference Shares will entail significant risks not associated with a conventional security.

Potential investors in N&C Securities linked to Equity Linked Preference Shares should be aware that, depending on the terms of the Equity Linked Preference Shares, payments may occur at a different time than expected and they may lose all or a substantial portion of their investment if the value of the Equity Linked Preference Shares, which is determined by reference to the value of the share(s), does not move in the anticipated direction.

In addition, the movements in the price of the share or basket of shares may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant price of the share or shares may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the price of the share or shares, the greater the effect on yield.

If amounts payable under the Equity Linked Preference Shares are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the price of the share or shares on the Equity Linked Preference Shares will be magnified. This may, in turn, be reflected in the market value of the Equity Linked Preference Shares (which will be relevant to calculating the Final Redemption Amount, any Optional Redemption Amount or any Early Redemption Amount of the N&C Securities).

Prospective purchasers should review the Base Prospectus, the relevant Issue Terms and the terms and conditions of the Preference Shares to ascertain whether and how adjustment provisions apply to the Preference Shares, the potential for the Preference Shares to be cancelled or redeemed and the effect of such adjustments on the N&C Securities.

The market price of N&C Securities linked to Equity Linked Preference Shares may be volatile and may be affected by the time remaining to the redemption date, the volatility of the share or shares, the dividend rate (if any) and the financial results and prospects of the issuer or issuers of the relevant share or shares as well as economic, financial and political events in one or more jurisdictions, including factors affecting the stock exchange(s) or quotation system(s) on which any such shares may be traded.

Generally no issuer of the relevant share(s) will have participated in the preparation of the relevant Issue Terms or in establishing the terms and conditions of the Equity Linked Preference Shares and none of the Issuer or any Dealer will

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make any investigation or enquiry in connection with such offering with respect to any information concerning any such issuer of shares or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the relevant issue date (including events that would affect the accuracy or completeness of any publicly available information) that would affect the trading price of the share will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such an issuer of shares could affect the trading price of the share and therefore the value of the Equity Linked Preference Shares, and therefore the value of the N&C Securities.

Holders of N&C Securities linked to Equity Linked Preference Shares will not have voting rights or rights to receive dividends or distributions or any other rights with respect to the relevant shares to which such Preference Shares relate. Prospective purchasers should review the Base Prospectus, the relevant Issue Terms and the terms and conditions of the relevant Preference Shares to ascertain whether and how adjustment provisions apply to the Preference Shares, the potential for the Preference Shares to be cancelled or redeemed and the effect of such adjustments on the N&C Securities.

5.5 *Currency Risk in N&C Securities and Preference Shares generally*

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 Preference Share Underlying(s) or the Preference Shares.

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 Preference Share Underlying(s) or the Preference Shares, and such Preference Shares do not have a "quanto" feature (i.e. the Preference Shares 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 Preference Shares 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.

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 Preference Share Underlying(s) or the Preference Shares.

If the Preference Share Underlying(s) or the Preference Shares are not denominated in the currency of the N&C Securities and at the same time only the performance of the Preference Share Underlying(s) or the Preference Shares 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 Preference Share Underlying(s) or the Preference Shares (in the relevant currency) and any change in the rate of exchange between the currency of the Preference Share Underlying(s) or the Preference Shares 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 Preference Shares and the N&C Securities that would otherwise influence the performance of the Preference Share Underlying(s) or the Preference Shares in the absence of such "quanto" feature. In addition, changes in the relevant exchange rate may indirectly influence the price of the Preference Share Underlying(s) or the Preference Shares which, in turn, could have a negative effect on the return on the N&C Securities.

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

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

The Group's business activities are concentrated in the U.K. and it offers a range of banking and financial products and services to U.K. 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 U.K..

The Group's financial performance is intrinsically linked to the U.K. economy and the economic confidence of consumers and businesses. The U.K. economic recovery, along with its concomitant impacts on the Group's profitability, remains a risk. Conversely, a strengthened U.K. economic performance may increase the possibility of a higher interest rate environment. In such a scenario other market participants might offer more competitive product pricing resulting in increased customer attrition.

Adverse changes in 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 U.K. economy.

In addition, adverse changes in the credit quality of the Group's borrowers and counterparties or a general deterioration in U.K. 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 its business and financial condition. U.K. economic conditions and uncertainties may have an adverse effect on the quality of the Group's loan portfolio and may result in a rise in delinquency and default rates. There can be no assurance that the Group will not have to increase its provisions for loan losses in the future as a result of increases in non-performing loans or for other reasons beyond its control. Material increases in the Group's provisions for loan losses and write-offs/charge-offs could have an adverse effect on its operating results, financial condition and prospects.

The U.K. Government has taken measures to address the rising and high level of national debt, including reducing its borrowing and public spending cuts. Credit quality could be adversely affected by a renewed increase in unemployment. Any related significant reduction in the demand for the Group's products and services, could have a material adverse effect on its operating results, financial condition and prospects.

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

Over the past seven 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 inter-bank lending rates.

Uncertainties remain concerning the outlook and the future economic environment despite recent improvements in certain segments of the global economy, including the U.K. There can be no assurance that economic conditions in these segments will continue to improve or that the global economic condition as a whole will improve significantly, or at all. Such economic uncertainties could have a negative impact on the Group's business and results of operations. The acute economic risks in the eurozone are being addressed by on-going policy initiatives, and the prospects for many of the European economies are improving. Investors remain cautious and a slowing or failing of the 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.

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

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

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- Inability of the Group's borrowers to comply fully or in a timely manner with their existing obligations.
- The process the Group uses to estimate losses inherent in its credit exposure requires complex judgments, including forecasts of economic conditions and how 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 loans 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 retail loans and result in increased loan losses.

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

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

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

On 5 October 2009, the Financial Services Authority ("FSA") published liquidity rules that significantly broadened the scope of the existing liquidity regime. These were designed to enhance regulated firms' liquidity risk management practices. As part of these reforms, the FSA implemented requirements for financial institutions to hold prescribed levels of specified liquid assets and have in place other sources of liquidity to address institution-specific and market-wide liquidity risks that institutions may face in short-term and prolonged stress scenarios. These rules have applied to Santander UK plc since June 2010 with some subsequent technical revisions. These rules applied to Santander UK plc until 1 October 2015.

As from 1 April 2013, the Prudential Regulation Authority ("PRA"), an independent subsidiary of the Bank of England, took over the responsibility for micro-prudential regulation of financial institutions from the FSA. Prior to 1 October 2015, the PRA operated its own liquidity rules based on the following elements:

- principles of self-sufficiency and adequacy of liquidity resources;
- enhanced systems and control requirements;
- quantitative requirements, including Individual Liquidity Adequacy Standards, coupled with a narrow definition of liquid assets; and
- frequent regulatory reporting.

The Group currently meets the minimum requirements set by the PRA. However, there can be no assurance that future changes to such requirements would not adversely impact on the Group's operating results financial condition and prospects.

Risk Factors

Under CRD IV (as defined in paragraph 6.13 below), banks are 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; and
- 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 on 1 October 2015. The minimum requirement under the CRD IV Directive applying from such date is 60 per cent., rising by 10 percentage points on each of 1 January 2016 and 1 January 2017 and by 20 percentage points to reach 100 per cent. on 1 January 2018. The PRA published a policy statement with feedback, final rule and a supervisory statement on 8 June 2015. This confirmed that the PRA would impose an 80 per cent. requirement from October 2015, rising to 90 per cent on 1 January 2017.

NSFR

In October 2014, the Basel Committee published its final standard of the NSFR. The NSFR is expected to take effect across Europe on 1 January 2018 in accordance with a proposal of the European Commission, following a report due from the European Banking Authority. The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. Banks are expected to hold a NSFR of at least 100 per cent. on an on-going basis and report its NSFR at least quarterly. Ahead of the planned implementation on 1 January 2018, the NSFR will remain subject to an observation period.

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.

6.4 *Exposure to U.K. Government debt could have a material adverse effect on the Group*

Like many other U.K. banks, the Group's principal banking entity Santander UK plc invests in debt securities of the U.K. Government largely for liquidity purposes. As of 31 December 2014, approximately 1 per cent. of the Group's total assets and 22 per cent. of its securities portfolio were comprised of debt securities issued by the U.K. Government. Any failure by the U.K. Government to make timely payments under the terms of these securities, or a significant decrease in their market value, will have a material adverse effect on the Group.

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

Eurozone markets and economies continue to show signs of fragility and volatility, with recession in some national economies. Interest rate differentials among eurozone countries indicate continued doubts about some governments' ability to fund themselves and affect borrowing rates in those economies. Further, the possibility remains that one or more eurozone countries could depart from the euro or that the euro could be abandoned as a currency altogether, which could have negative effects on both existing contractual relations and the fulfilment of obligations by the Group, its counterparties and/or its customers. This in turn would have a material adverse effect on the operating results, financial condition and prospects of the Group.

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There is currently no established legal or practical framework to facilitate a member state's exit from the euro. Apart from the exit process, uncertainties that heighten the risk of re-denomination include how an exiting member state would deal with its existing euro-denominated assets and liabilities and the valuation of any newly-adopted currency against the euro.

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

The ECB and European Council have taken actions in 2012 and 2013 with the aim of reducing the risk of contagion in the eurozone and beyond. These included the creation of the Open Market Transaction facility of the ECB and the decision by eurozone governments to progress towards the creation of a banking union. In January 2015, the ECB announced an extensive quantitative easing scheme. The scheme comprises a €60bn-a-month bond-buying programme across the eurozone, such programme to last until at least September 2016, with a potential for extension if inflation in the eurozone does not meet the ECB target of 2 per cent. Notwithstanding these measures, a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by eurozone nations which are 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 could be destabilised, resulting in the further spread of the recent economic crisis.

The high cost of capital for some European governments impacted the wholesale markets in the U.K., 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 U.K., it has direct and indirect exposure to financial and economic conditions throughout the eurozone economies. In addition, general financial and economic conditions in the U.K., which directly affect the Group's operating results, financial condition and prospects, may deteriorate as a result of conditions in the eurozone.

6.6 The Group may be exposed to unidentified or unanticipated risks despite its 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 its 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 fail to identify or anticipate.

Some of the Group's qualitative tools and metrics for managing risk are based upon use of observed historical market behaviour by the Group. The Group applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the Group does not anticipate or correctly evaluate in its statistical models. This would limit the Group's ability to manage its risks. The Group's losses thus could be significantly greater than the historical measures indicate. In addition, the Group's quantified modelling does not take all risks into account. The Group's more qualitative approach to managing those risks could prove insufficient, exposing the Group to material, unanticipated losses. If existing or potential customers believe the Group's risk management is inadequate, they could take their business elsewhere. This could have a material adverse effect on the operating results, financial condition and prospects of the Group.

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

The Group's loan portfolio is subject to prepayment risk, which results from the ability of a borrower or issuer to pay a debt obligation prior to maturity. Generally, in a declining interest rate environment, prepayment activity increases, which reduces the weighted average lives of the Group's earning assets, and could have a material adverse effect on it. The Group would also be required to amortise net premiums into income over a shorter period of time, thereby reducing the corresponding asset yield and net interest income. Prepayment risk also has a significant adverse impact on credit card and

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collateralised mortgage loans, since prepayments could shorten the weighted average life of these assets, which may result in a mismatch in the Group's funding obligations and reinvestment at lower yields. Prepayment risk is inherent to the Group's commercial activity and an increase in prepayments could have a material adverse effect on it.

6.8 *The value of the collateral, including real estate, securing the Group's loans may not be sufficient, and it 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 the Group's control, including macroeconomic factors affecting the U.K.'s economy. The residential mortgage loan portfolio is one of Santander UK plc and its subsidiaries' principal assets, comprising 79 per cent. of the Santander UK plc and its subsidiaries' loan portfolio as of 31 December 2014. As a result, the Group is highly exposed to developments in the residential property market in the U.K.

The housing market performed stronger than anticipated in 2014, with an increase in both house prices and the volume of property transactions. However, these increases have not so far resulted in strong growth in net mortgage lending in the market. Any further increase in house prices may be limited by the high level of prices relative to household earnings given the continued weakness seen in real earnings growth. The depth of the previous house price declines as well as the continuing uncertainty as to the extent and sustainability of the U.K. 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 its 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 its loans, which may materially and adversely affect its operating results, financial condition and prospects.

6.9 *Failure to successfully implement and continue to improve the Group's credit risk management systems could materially and adversely affect its 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 its 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 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 error. In exercising their judgment, the Group's employees may not always be able to assign a correct credit rating to a customer or credit risk, which may result in its exposure to higher credit risks than indicated by the Group's risk rating system.

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

6.10 *Exposure to U.K. political developments could have a material adverse effect on the Group.*

Any significant changes in U.K. Government policies or political structure could have an impact on the Group's business. In particular, the second half of 2014 saw increased debate around the U.K.'s relationship with the European Union (the "EU"), and following the general election in 2015, the U.K. Government has proposed that it will hold a referendum on the

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U.K.'s membership of the EU by 2017. The outcome of any future U.K. political developments, including but not limited to any changes in government structure and policies, could affect the fiscal, monetary and regulatory landscape to which the Group is subject and therefore no assurance can be given that the Group's operating results, financial condition and prospect would not be adversely impacted as a result.

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

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

6.12 *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 operations and limited growth. There can be no assurance that such constraints will not re-occur.

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

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

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

Although central banks around the world have made coordinated efforts to increase liquidity in the financial markets and have 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, it is only gradually becoming known internationally how long these central bank schemes will continue or on what terms. The ECB has yet to clarify its longer-term approach to liquidity support, although in the second half of 2014 it initiated the purchase of covered bonds and asset backed securities. In January 2015, the ECB announced an extensive quantitative easing scheme. The scheme comprises a €60bn-a-month bond-buying programme across the eurozone, such programme to last until at least September 2016, with a potential for extension if inflation in the eurozone does not meet the ECB target of 2 per cent.

In October 2013, the Bank of England 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

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experiencing idiosyncratic stress. The Collateralised Term Repo Facility will be made available to support markets in the event of a market wide liquidity stress.

The Bank of England and HM Treasury announced changes to the terms of the Funding for Lending Scheme ("**FLS**") on 28 November 2013 to re-focus its incentives in the revised scheme towards supporting business lending in 2014. The FLS extension allowed participants to draw from the scheme from February 2014 until January 2015, but household lending in 2014 no longer generated any additional borrowing allowances as it did in the initial scheme. Instead, additional allowances only reflected lending to businesses in 2014. Any initial borrowing allowances in the FLS extension already earned by household and business lending in 2013 were unaffected. On 2 December 2014, the Bank of England and HM Treasury announced a further extension of the FLS to allow participants to borrow from the FLS until January 2016, with incentives to boost lending skewed towards small and medium sized enterprises. As at 31 December 2014, the Group had drawn £2.2bn of U.K. treasury bills under the FLS.

The availability of Bank of England facilities for U.K. financial institutions, to the extent that they provide the Group with access to cheaper and more attractive funding than other sources, reduces the Group's reliance on retail and/or wholesale markets. To the extent that the Group makes use of Bank of England facilities, any significant reduction or withdrawal of those facilities would increase the Group's funding costs.

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).

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

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

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

The Group is subject to capital adequacy requirements applicable to banks and banking groups under directly applicable EU legislation and as adopted by the PRA of the Bank of England. The Group is required to maintain a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets, Additional Tier 1 capital to risk-weighted assets, Tier 2 capital to risk-weight assets and Tier 1 capital to total adjusted assets for leverage monitoring purposes. Any failure by the Group to maintain the Group's ratios 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 existing capital instruments (potentially including its debt securities) to be subjected to bail-in or write down which may affect the Group's ability to fulfil its obligations.

The PRA requires the capital resources of large U.K. banks to be maintained at levels which exceed the base capital requirements prescribed by its rules, and following the PRA 2013 capital shortfall exercise, the Group has been required to hold Common Equity Tier 1 capital reserves equivalent to at least 7 per cent. of its risk-weighted assets and to maintain a minimum 3 per cent. Tier 1 leverage ratio. From 1 January 2015 further increases to capital requirements have been implemented by the PRA, partly informed by the stress testing process started by the PRA in 2014 now and planned to take place annually. In the future, the PRA could, through supervisory actions (in addition to the changes described below), require U.K. banks, including the Group, to increase their capital resources further, and could also increase capital ratios as part of the exercise of U.K. macro-prudential capital regulation tools.

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Directive 2013/36/EU (the "**CRD IV Directive**") and Regulation (EU) No. 575/2013 (the "**Capital Requirements Regulation**") and, together the "**CRD IV**") legislative package implemented the changes prepared by the Basel Committee on Banking Supervision (the "Basel Committee") to the capital adequacy framework, known as "Basel III" in the European Union. The Capital Requirements Regulation is directly applicable in each member state of the EU (each a "**Member State**") and does not therefore require national implementing measures, whilst the CRD IV Directive must be implemented by Member States. CRD IV Directive 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 its rules and supervisory statements associated with the implementation of CRD IV, which cover prudential rules for banks, building societies and investment firms. Certain issues, however, continue to remain under discussion and certain details remain to be clarified in further binding technical standards to be issued by the European Banking Authority, which creates uncertainty as to the final impact of CRD IV capital requirements on the Group.

The Financial Policy Committee of the Bank of England ("**FPC**") set the counter-cyclical capital buffer rate at 0 per cent. from October 2014 and then subsequently announced on 16 December 2014 that the counter-cyclical buffer rate would remain at 0 per cent. and as of the announcement on 1 July 2015, it remains at 0 per cent. The U.K. Government has stated that it intends that the FPC should also be able to require the PRA to impose additional specific capital requirements on banks to address risks to the U.K. market for banking services and the U.K. Government has indicated that it intends to provide the FPC with powers to direct the PRA to set leverage ratio requirements and buffers. The Bank of England, acting through the FPC, undertook a review of the leverage ratio during 2014, the results of which were published on 31 October 2014. The FPC recommended that it should have the power to direct the PRA to set (i) a minimum leverage ratio requirement; (ii) a supplementary leverage ratio buffer; and (iii) a counter-cyclical leverage ratio buffer and recommended that the PRA establish a supplementary leverage ratio buffer requirement for major domestic U.K. banks equal to 35 per cent. of each bank's risk-weighted systemic buffer. HM Treasury has consulted on draft legislation granting the FPC new powers of direction over the PRA in line with the FPC's recommendations and published a paper, dated January 2014, explaining the outcome of this consultation. The final scope of this framework, and the precise timing for its introduction, is currently unclear, however the FPC has recommended that its leverage ratio framework should be applied to systemically important institutions as soon as practicable, and to all other PRA-regulated firms in 2018, subject to a review of international progress in 2017. The FPC published a draft policy statement in February 2015 to be considered alongside Parliament's scrutiny of the associated secondary legislation. Action taken in the future by the FPC in exercise of any such powers could result in the regulatory capital requirements applied to the Group being increased.

Regulators in the U.K. and worldwide have also proposed that additional capital requirements should be applied to systemically important institutions to ensure that there is sufficient loss absorbing and recapitalisation capacity available in resolution. The Financial Services (Banking Reform) Act 2013 (the "**Banking Reform Act**") amended the Financial Services and Markets Act 2000 ("**FSMA**") and provides HM Treasury with the power to require a bank to issue any type of debt instruments or to ensure that any part of its debt consists of debt instruments of a particular kind. This power is in addition to the regulatory capital requirements under CRD IV. HM Treasury has indicated that it intends to use this power, as appropriate, to impose requirements for firms to meet total loss-absorbing capacity ("**TLAC**") requirements proposed by the Financial Stability Board or in accordance with the Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") and Minimum Requirement for Eligible Liabilities ("**MREL**") requirements. HM Treasury has consulted on a draft order that will regulate the exercise of this power on institutions, although in July 2014 it announced that the finalisation of detailed requirements would be delayed pending international agreement in relation to TLAC and MREL requirements. The power is expected to become exercisable on or before 1 January 2016, at which time the power may be used to introduce TLAC and MREL requirements affecting the Group. In addition, since 31 December 2014, the PRA has had the power under the 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 of funding.

In addition to the above, regulators in the U.K. 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

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capital, or could increase the Group's expenses, or otherwise adversely affect its operating results, financial condition and prospects. These include:

- the introduction of recovery and resolution planning requirements (popularly known as "living wills") for banks and other financial institutions as contingency planning for the failure of a financial institution that may affect the stability of the financial system, as set out in the PRA's final rules on recovery and resolution planning which came into force on 1 January 2014;
- the introduction of more regular and detailed reporting obligations;
- a move to pre-funding of the deposit protection scheme in the U.K.;
- proposed revisions to the approaches for determining trading book capital requirements and banking book risk-weighted assets from the Basel Committee; and
- proposed revisions to the standardised approach to credit risk ("**Standardised Approach**") by the Basel Committee to address certain weaknesses in the Standardised Approach identified by the Basel Committee. These weaknesses include an over-reliance on external credit ratings, a lack of risk sensitivity and a lack of comparability and misalignment of treatment with exposures risk weighted under the internal ratings-based ("**IRB**") approach to credit risk. Among other revisions, the Basel Committee is proposing to impose a Standardised Approach floor on modelled credit risk capital requirements with the aims of: (i) constraining variation in risk-weighted assets across banks using the IRB approach (with respect to portfolios with similar risk profiles); and (ii) protecting against the risk that modelled parameters result in capital requirements that are too low.

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 U.K.'s capital adequacy regime (including any increase to the minimum leverage ratio) may result in increased minimum capital requirements, which could reduce available capital for business purposes and thereby adversely affect the Group's 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 its ability to manage its balance sheet and capital resources effectively or to access funding on commercially acceptable terms. Effective management of the Group's capital position is important to its ability to operate its business, to continue to grow organically and to pursue its business strategy.

6.14 ***An adverse movement in the Group's external credit rating would likely increase cost of funding, require the Group to post additional collateral or take other actions under some of the Group's derivative contracts and adversely affect the Group's interest margins and results of operations***

Credit ratings can in some instances affect the cost and other terms upon which the Group is able to obtain funding. Credit rating agencies regularly evaluate the Group, and their credit ratings of the Group and its debt in issue are based on a number of factors, including the Group's financial strength and that of the U.K. economy and conditions affecting the financial services industry generally.

Any downgrade in the Group's credit ratings could increase its borrowing costs and could require the Group to post additional collateral or take other actions under some of its derivative contracts, and could limit its access to capital markets and adversely affect its commercial business. For example, a credit rating downgrade could adversely affect the

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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, it may be required to maintain a minimum credit rating or otherwise its counterparties may be able to terminate such contracts. Any of these results of a credit rating downgrade could, in turn, reduce the Group's liquidity and have an adverse effect on the Group, including its operating results, financial condition and prospects. For example, the Group estimates that as at 31 December 2014, if Fitch, Moody's and Standard & Poor's were concurrently to downgrade its long-term credit ratings by one notch, and thereby trigger a short-term credit rating downgrade, this could result in an outflow of £5.9bn of cash and collateral. A hypothetical two notch downgrade would result in a further outflow of £1.2bn of cash and collateral.

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 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 market risk profile of the Group could be altered.

Included in the current long-term credit ratings of Santander UK plc, which cross guarantees the Issuer, from Moody's and Standard & Poor's are two credit rating notches of ratings support, arising from an assumption by the rating agencies of U.K. Government intervention and of support for the bank should it be at risk of failing. On 3 February 2015, Standard & Poor's placed on CreditWatch with negative implications the long-term ratings of Santander UK plc and many other banks in the U.K., Germany and Austria, including those of the Group's main U.K. peers. CreditWatch with negative implications highlights Standard & Poor's opinion regarding the potential direction of a rating. These rating actions followed Standard & Poor's review of government support in countries which had fully implemented the BRRD. Standard & Poor's view is that there is a reduced likelihood of extraordinary government support being made available to U.K. banks in the future. It is therefore possible that Santander UK plc's long-term credit rating could be downgraded. If a downgrade of any of the Group's entities' long-term credit ratings (whether by Standard & Poor's and/or other rating agencies) were to occur, it could also impact the Group's short-term credit ratings. With the removal of systemic support by the U.K. Government, all things being equal, the impact on the Group's long-term credit-rating could potentially increase the cost of some of the Group's wholesale borrowing and the its ability to secure both long-term and short-term funding may be reduced.

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

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

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6.15 *The Group's financial results are subject to fluctuations in interest rates and other market conditions, which may materially adversely affect it*

Market risk refers to the probability of variations in the Group's net interest income or in the market value of the Group's assets and liabilities due to volatility of interest rate, exchange 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; and
- gains and losses from derivatives.

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

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

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

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

The Group is also exposed to foreign exchange rate risk as a result of mismatches between assets and liabilities denominated in different currencies. Fluctuations in the exchange rate between currencies may negatively affect the Group's earnings and value of the Group's assets and securities. The Group's capital is stated in pound sterling and the Group does not fully hedge its capital position against changes in currency exchange rates. Although the Group seeks to hedge most of 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. Significant exchange rate volatility and the depreciation of the pound sterling in particular could have an adverse impact on the Group's results of operations and its ability to meet its US dollar and euro-denominated obligations, and 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 connection with the Group's trading investments in equity securities as part of the Group's normal course of business as a commercial bank. The performance of financial markets may cause changes in the value of the Group's investment and trading portfolios. The volatility of world equity markets, due to the continued economic uncertainty and sovereign debt tensions, has had a particularly strong impact on the financial sector.

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Continued volatility may affect the value of the Group's investments in entities in this sector and, depending on their fair value and future recovery expectations, could become a permanent impairment, which would be subject to write-offs against the Group's results. To the extent any of these risks materialise, the Group's net interest income or the market value of the Group's assets and liabilities could be adversely affected.

6.16 ***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 seven years, financial markets have been subject to significant stress resulting in steep falls in perceived or actual financial asset values, particularly due to volatility in global financial markets and the resulting widening of credit spreads. The Group has material exposures to securities, loans and other investments that are recorded at fair value and are therefore exposed to potential negative fair value adjustments. Asset valuations in future periods, reflecting then prevailing market conditions, may result in negative changes in the fair values of the Group's financial assets and these may also translate into increased impairments. In addition, the value ultimately realised by the Group on disposal may be lower than the current fair value. Any of these factors could require the Group to record negative fair value adjustments, which may have a material adverse effect on its 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 it to make assumptions, judgments and estimates in order to establish fair value.

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

6.17 ***The Group has a core strategy to develop the Group's operations organically and through acquisitions, but if the Group is unable to manage such development effectively, this could have an adverse impact on its profitability***

The Group allocates management and planning resources to develop strategic plans for organic development, and to identify possible acquisitions and disposals and areas for restructuring its businesses. The Group cannot provide assurance that it will, in all cases, be able to manage its growth effectively or deliver its strategic development objectives. Challenges that may result from the Group's strategic development decisions include its ability to:

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

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

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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 its 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 the 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 such as legal claims. The Group can give no assurances that its expectations with regards to integration and synergies will materialise. In addition, any acquisition or venture could result in the loss of key employees and inconsistencies in standards, controls, procedures and policies.

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

6.18 *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, 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 2013 or 2014, there can be no assurances that the Group will not have to write down the value attributed to goodwill in the future, which would adversely affect the Group's results and net assets.

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

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

The Group expects competition to intensify in response to consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors. In particular, the Independent Commission on Banking (the "**ICB**"), chaired by Sir John Vickers recommended that steps be taken to increase competition in the personal and small business banking sector (including, for example, strengthening the objectives of the U.K. Financial Conduct Authority (the "**FCA**") for the role of conduct supervision, such that it is obliged to regulate in a manner which promotes competition. The Financial Services Act 2012 amended the FSMA with effect from 1 April 2013 to include in the FCA's operational objectives the objective of promoting effective competition in the interests of consumers in the markets for regulated financial services. A strong political and regulatory will to foster consumer choice in retail financial services could lead to even greater competition in the U.K. personal and small business banking sectors. For further detail, see "*The Group is subject to substantial regulation and governmental oversight which could adversely affect Group's business and operations*".

If financial markets remain unstable, financial institution consolidation may continue (whether as a result of the U.K. Government taking ownership and control over other financial institutions in the U.K. or otherwise). Financial institution

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consolidation could also result from the U.K. Government disposing of its stake in those financial institutions it currently controls. Such consolidation could adversely affect the Group's operating results, financial condition and prospects. There can be no assurance that this increased competition will not adversely affect the Group's growth prospects, and therefore its operations. The Group also faces competition from non-bank competitors, such as supermarkets and department stores for some credit products, and generally from other loan providers.

Increasing competition could require 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 its ability to increase its customer base and expand the Group's operations and increasing competition for investment opportunities.

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

6.20 ***The Group's ability to maintain its 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 it***

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

As the Group expands the range of its products and services, some of which may be at an early stage of development in the U.K. 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 its 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 the risks of potential legal action by its customers and intervention by its 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*" and "*Potential intervention by the FCA, the PRA 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.

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

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. Non-performing or low credit quality loans have in the past and can continue to negatively impact the Group's operating results, financial condition and prospects. The Group cannot be sure that it will be able to effectively control the level of impaired loans in the Group's total loan portfolio. In particular, the amount of the Group's reported non-performing loans may increase in the future as a result of growth in the Group's total

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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 U.K. or global economic conditions, the impact of political events, events affecting certain industries or events affecting financial markets and global economies.

The Group's current loan loss reserves may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of the Group's total loan portfolio. The Group's loan loss reserves are based on its 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 its loan loss reserves will be sufficient to cover actual losses. If the Group's assessment of and expectations concerning the above mentioned factors differ from actual developments, if the quality of the Group's total loan portfolio deteriorates, for any reason, or if the future actual losses exceed the Group's estimates of incurred losses, the Group may be required to increase its loan loss reserves, which may adversely affect it. If the Group is unable to control or reduce the level of its non-performing or poor credit quality loans, this could have a material adverse effect on it.

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

6.22 The Group is subject to various risks associated with its derivative transactions that could have a material adverse effect on it

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

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

The Group's businesses depend on the ability to process a large number of transactions efficiently and accurately, and on its ability to rely on its 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 its computer systems and networks. The proper functioning of financial control, accounting or other data collection and processing systems is critical to the Group's businesses and to its ability to compete effectively. Losses can result from inadequate personnel, human error, inadequate

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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 its controls and procedures prove to be inadequate or are circumvented. Although the Group works with its clients, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities and prevent against information security risk it routinely exchanges personal, confidential and proprietary information by electronic means, and it may be the target of attempted hacking. If the Group cannot maintain an effective data collection, management and processing system, it may be materially and adversely affected.

Infrastructure and technology resilience

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

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 states. The Group continues to face a host of cyber threats and as attempted attacks continue to evolve in scope and sophistication, it may incur significant costs in its attempt to modify or enhance its protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach. If the Group fails to effectively manage its cyber security risk, e.g. by failing to update the Group's systems and processes in response to new threats, this could harm its reputation and adversely affect the Group's operating results, financial condition and prospects.

Procedure and policy compliance

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

Further, the Group's businesses are exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of 'rogue traders' or other employees. It is not always possible to deter or prevent employee misconduct, and the precautions the Group takes to 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 its clients with delays or errors, which could reduce demand for its services and products and could materially and adversely affect it.

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

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

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satisfactory and timely manner, its business, financial condition and results of operations, including control and operational risks, may be adversely affected.

In addition, the financial 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, its business may also be adversely affected.

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

Maintaining a positive reputation is critical to the Group's attracting and maintaining customers, investors and employees and conducting business transactions with counterparties. Damage to the Group's reputation, the reputation of Banco Santander, S.A. (as the majority shareholder in Santander UK plc), the reputation of affiliates operating under the "Santander" brand or any of the Group's other brands or the reputation of the U.K. or Spain 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 and the seeming shift towards increasing regulatory supervision and enforcement has caused public perception of the Group and others in the financial services industry to decline.

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

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

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the Group's results and financial condition, based upon materiality and significant judgments and estimates, include impairment of loans and advances, valuation of financial instruments, goodwill impairment, provision for conduct remediation and pensions.

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

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

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6.27 *Changes in accounting standards could impact reported earnings*

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

6.28 *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 institution, the Group is subject to extensive financial services laws, regulations, administrative actions and policies in the U.K., the European Union and each other location in which it operates, including in the United States. As well as being subject to U.K. regulation, as part of the Santander Group, the Group is also impacted indirectly through regulation by the Banco de España (the Bank of Spain) and, at a corporate level, by the ECB (following the introduction of the Single Supervisory Mechanism in November 2014). The statutes, 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 and regulations by regulators are also subject to change. Extensive legislation affecting the financial services industry has recently been adopted in regions that directly or indirectly affect the Group's business, including Spain, the United States, the European Union, Latin America and other jurisdictions, and new regulations are in the process of being implemented. The manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, to the extent these recently adopted regulations are implemented inconsistently in the U.K., 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 legislation and regulations could result in significant loss of revenue, limit its ability to pursue business opportunities in which it 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 it holds, require the Group to increase its prices and therefore reduce demand for the Group's products, impose additional compliance and other costs on it or otherwise adversely affect the Group's businesses. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect the Group.

During 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 has been maintained by the PRA and the FCA (as successor regulatory authorities to the FSA).

Recent proposals and measures taken by governmental, tax and regulatory authorities and further future changes in supervision and regulation, in particular in the U.K., 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 U.K. legislation and regulation to address the stability of the financial sector may also affect the competitive position of Santander UK plc, particularly if such changes are implemented before international consensus is reached on key issues affecting the industry, for instance in relation to capital requirements, including leverage and TLAC requirements (and the MREL), liquidity risk management and also the U.K. Government's introduction of the bank levy. Although the Group works closely with its regulators and continually monitors the situation, future changes in law, regulation, fiscal or other policies can be unpredictable and are beyond the Group's control. No assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the Group's business.

Banking Reform

On 18 December 2013, the Financial Services (Banking Reform) Act 2013 (the "**Banking Reform Act**") was enacted. Among other things, the Banking Reform Act either directly, or through amendments to FSMA:

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- (a) provides HM Treasury and the PRA powers to implement the ICB recommendations including by introducing requirements for ring-fencing of core retail banking activities pursuant to which U.K. banks that undertake significant retail deposit taking activities (including the Group) will be required to place these deposit taking activities into a ring-fenced bank;
- (b) introduces a Senior Managers Regime and Certification Regime, replacing the Approved Persons Regime (APER) established under FSMA (as amended by the Financial Services Act 2012) for PRA regulated firms;
- (c) introduces a new criminal offence for reckless misconduct in the management of a bank;
- (d) establishes a new Payment Systems Regulator; and
- (e) amends the Banking Act 2009 (the "**Banking Act**") to include a bail-in stabilisation option forming part of the special resolution regime.

Secondary legislation setting out the scope of the ring fence required by the Banking Reform Act was adopted in 2014, and the PRA and the FCA are currently developing their rules in relation to the ring-fencing requirements. In January 2015, affected banks submitted preliminary plans for ring-fencing to the PRA and the FCA in response to their consultation paper on legal structure, governance and the continuity of services and facilities. Further consultations containing key details of the regime have recently taken place or are currently underway, with final rules anticipated in 2016. Retail ring-fencing must be implemented by 1 January 2019. As the regulatory framework is still being developed, there remain key uncertainties around the final scope and effect of the requirements and, consequently, as to the specific effect on the Group, including in relation to the scope of permissible intragroup exposures. Consequently, it is too early to assess the full impact of the Banking Reform Act and any ancillary secondary legislation. However, it is expected that changes to the Group structure and business, for example, will be necessary for the Group to comply with the Banking Reform Act, and such changes could have an adverse effect on the operating results, financial condition and prospects of the Group.

Detail on the potential risks posed by the Banking Reform Act in the context of the amendments to the Banking Act can be found in the Risk Factor entitled "*The Banking Act may adversely affect the Group's business*".

European Structural Reform

On 29 January 2014, the European Commission (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 Member States that have already implemented ring-fencing legislation, such as the U.K., 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. On 7 January 2015, the European Parliament's Committee on Economic and Monetary Affairs published a draft report proposing amendments to the Commission's proposal, including a proposed removal of the derogation. On 19 June 2015, the Council agreed its negotiating stance on structural measures to improve the resilience of EU credit institutions, and further negotiations at EU institutions level will follow. The adoption of the proposals in their current, or in an amended, form may require further changes to the Group's structure and business and could require it to modify its plans in connection with compliance with the Banking Reform Act.

US Regulation

In the United States, 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 US federal regulatory agencies. The Dodd-Frank Act, among other things, imposes a new regulatory framework on swap transactions, including swaps of the sort that the Group enters into, requires regulators to adopt new rules governing the retention of credit risk by securitisers or originators of securitisations and significantly expands the coverage and scope of regulations that limit affiliate transactions within a banking organisation. Abbey National Treasury Services plc became provisionally registered as a swap dealer with the CFTC on 4 November 2013. Although many significant regulations applicable to swap dealers are already in effect, some of the most important rules, such as margin requirements for uncleared swaps, have not yet been implemented and the Group continues to assess how compliance with these new rules will affect its business.

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In October 2014, US regulators adopted a joint final rule requiring sponsors of asset-backed securitisation transactions, which would include Santander UK plc 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. At a general level, 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 will take 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 Santander UK plc 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 United States. 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. On 10 December 2013, the U.S. bank regulators issued final regulations implementing the Volcker Rule and the Federal Reserve Board also issued an order extending the conformance period for all banking entities until 21 July 2015. On 18 December 2014, the U.S. Federal Reserve announced an additional extension of the conformance period that would give banking entities until 21 July 2016 to conform investments in and relationships with covered funds and foreign funds that may be subject to the Volcker Rule and that were in place prior to 31 December 2013, and additional extensions are possible. Banking entities must bring their activities and investments into compliance with the requirements of the Volcker Rule by the end of the applicable conformance period. The Group is assessing how the final implementing regulations for the Volcker Rule will affect the Group's businesses and have been developing and implementing plans to bring affected businesses into compliance. Each of these aspects of the Dodd-Frank Act, as well as the changes in the U.S. banking regulations, may directly and indirectly impact various aspects of the Group 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.

Competition

In the U.K. and elsewhere, there is continuing political, competitive and regulatory scrutiny of the banking industry and, in particular, retail banking. Political involvement in the regulatory process, in the behaviour and governance of the U.K. banking sector and in the major financial institutions in which the U.K. Government has a direct financial interest is likely to continue. Under the Enterprise Regulatory Reform Act 2013, the Office of Fair Trading ("OFT") and the Competition Commission ("CC") were replaced by the Competition and Markets Authority ("CMA") on 1 April 2014. The CMA is now the U.K.'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 U.K..

Following a market study and review, the CMA is currently undertaking a Market Investigation into competition in the personal current account and SME retail banking markets that has a statutory deadline of May 2016. Given the wide ranging powers available to the CMA, this investigation may result in significant industry-wide remedies. In addition, the FCA has recently undertaken and is undertaking a number of competition related studies and reviews. As of 1 April 2015, the Payments Systems Regulator also has an objective and powers equivalent to those of the FCA to promote competition in the payments industry.

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

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

The tax and other assessment regimes to which the Group and its customers are subject are regularly reformed or subject to proposed reforms. Such reforms include changes in the rate of assessments and, occasionally, enactment of temporary

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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.

U.K. Bank Levy: HM Treasury introduced an annual U.K. bank levy (the "**Bank Levy**") via legislation in the Finance Act 2011. The Bank Levy is imposed on (amongst other entities) U.K. 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 to 0.21 per cent.. Subsequently the Finance (No. 2) Act 2015, which was substantively enacted on 26 October 2015, reduces the UK Bank Levy 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. The Finance (No. 2) Act 2015 also implemented measures that will lead to, with effect from 1 January 2016, banks (as defined, and including ANTS and Santander UK plc) being subject to a surcharge at a rate of 8 per cent. on their taxable profits (subject to certain additions and deductions).

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

The Group faces various issues that may give rise to risk of loss from legal and regulatory proceedings. These issues, including inappropriately dealing with potential conflicts of interest, and legal and regulatory requirements, could result in claims against the Group or subject it to regulatory 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:

- the Bank of England, the PRA and the FCA, HM Treasury, HMRC, the CMA, the Information Commissioner's Office, the FOS 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;
- 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 accounts for entities that might be or are subject to interest from various regulators, including the U.K.'s Serious Fraud Office, regulators in the U.S. and elsewhere. The Group is not currently subject to any investigation into it as a result of any such enquiries, but cannot exclude the possibility of the Group's conduct being reviewed as part of any such investigation; and
- the Group may be liable for damage to third parties harmed by the conduct of its business.

The Group is from time to time subject to certain claims and party to certain legal proceedings in the normal course of its business, including in connection with its lending activities, relationships with its employees and other commercial or tax matters. These can be brought against the Group under U.K. regulatory processes or in the U.K. courts, or under regulatory processes in other jurisdictions, such as the European Union and the United States, where some of the Group entities operate. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in the early stages of discovery, the Group cannot state with confidence what the eventual outcome of these pending matters will be or what the eventual loss, fines 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. 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 it. As a result, the outcome of a particular matter may be

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

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

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

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

Under the Financial Services Act 2012, the U.K. Government introduced a range of structural reforms to U.K. financial regulatory bodies. As a result of those reforms, as of 1 April 2013, the Group's primary micro-prudential supervisor is the PRA, while its conduct supervisor is the FCA. Key changes which took effect in 2014 included the transfer of consumer credit regulation to the FCA from the OFT on 1 April 2014, and the creation of the Payment Systems Regulator as an autonomous subsidiary of the FCA on 1 April 2014, which took effect as an economic regulator from 1 April 2015.

Within the current regulatory framework the Group is subject to each regulators' respective supervisory regimes and approaches, and any policy development, change or new regulation which may be brought in. In turn the U.K. regulatory framework is subject to amendment or change by the U.K. Government (as occurred following the 2010 general election, when the FSA was abolished and replaced by the current PRA/FCA structure).

The Financial Services Act 2012 also established the FPC within the Bank of England responsible for macro-prudential regulation and with a statutory objective to contribute to the achievement by the Bank of England of its financial stability objective and otherwise supporting the U.K. Government's economic policy. In addition to monitoring the stability of the U.K. financial system, the FPC may exercise its statutory powers to give directions or make recommendations to the PRA and/or FCA. While the FPC is not permitted to give directions or make recommendations in relation to a specific regulated institute, any such directions and/or recommendations could impact on the U.K. banking sector, which includes the Group.

6.32 *Various recent reforms to the regulation of mortgage lending and personal loans could require significant implementation costs or changes to the Group's business strategy*

Mortgage Lending

In December 2011, the FSA published a consultation paper that consolidated proposals arising out of its wide-ranging "mortgage market review", which was launched in October 2009 to consider strengthening rules and guidance on, among other things, affordability assessments, product regulation, arrears charges and responsible lending.

The final rules in relation to the FCA Mortgage Market Review (the "MMR") came into force on 26 April 2014. These rules require a number of material changes to the mortgage 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 impact of the changes is now largely clear and in line with other lenders, the reforms presaged a period of significant change for the mortgage lending business requiring changes to mortgage sales delivery systems, associated documentation and the risk assessment of prospective mortgage customers. Santander UK plc has implemented certain changes to implement the MMR requirements. However, there can be no assurance that it 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 it.

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In March 2011, the Commission published a proposal for a directive on credit agreements relating to residential immovable property for consumers (the "**Mortgage Credit Directive**"). The Mortgage Credit Directive was published in the Official Journal on 28 February 2014 and must be implemented by Member States by 21 March 2016. The Mortgage Credit Directive requires, among other things, standard pre-contractual information, calculation of the annual percentage rate of charge in accordance with a prescribed formula, and a right of the borrower to make early repayment. HM Treasury and the FCA each published consultations in September 2014 on the necessary legislation and rules required to implement the Mortgage Credit Directive in the U.K.. HM Treasury published a consultation response and final draft legislation in January 2015. The U.K. decided to implement the Mortgage Credit Directive into U.K. law by way of the Mortgage Credit Directive Order (the "**MCD Order**") which was published on 26 March 2015. The MCD Order has been coming into effect in phases. The first provisions came into force on 6 April 2015, followed by the second phase on 20 April 2015, with the subsequent phases coming into force on 21 September 2015 and 21 December 2015 in order to meet the 21 March 2016 final implementation deadline. The FCA has also published the Mortgage Credit Directive Instrument 2015 (the "**MCD Instrument**") which contains its final rules and guidance for implementing the Mortgage Credit Directive, including amendments to its Mortgages and Home Finance: Conduct of Business sourcebook. The MCD Instrument is due to come into force on 21 March 2016. Until the MCD Order and the MCD Instrument fully come into force, it is not certain what effect the adoption and implementation of the Mortgage Credit Directive will have on the Group's mortgage business. As a result, Santander UK plc may be required to make further changes to its mortgage lending business to comply with the reforms and such reforms could therefore have an adverse effect on the Group's operating results, financial condition and prospects.

Consumer Credit

On 1 April 2014, consumer credit regulation (which includes regulation of new and existing second charge mortgages), was transferred from the OFT to the FCA in accordance with the provisions under the Financial Services Act 2012. Firms that held an OFT licence and had registered with the FCA by 31 March 2014, including Santander UK plc, have been granted an interim permission under the new regime and are currently subject to a 2 year interim period during which they must apply to the FCA for full authorisation within a specific 3 month application period notified to them by the FCA. Under the new regime: (i) carrying on certain credit-related activities (including to the 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. If Santander UK plc is not granted full authorisation by the FCA, or if the FCA were to impose certain conditions attached to such authorisation, this could have an adverse effect on the Group's operating results, financial condition and prospects.

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

The PRA and the FCA now have a more outcome-focused regulatory approach than their predecessor the FSA. This involves more proactive enforcement and more punitive penalties for infringement. As a result, the Group and other PRA- and/or FCA-authorized firms face increased supervisory intrusion and scrutiny (resulting in increasing internal compliance costs and supervision fees), and in the event of a breach of their regulatory obligations are likely to face more stringent penalties.

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

The regulatory regime requires the Group to be in compliance across all aspects of 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 regulations, there is a risk of an adverse impact on the Group's business from sanctions, fines or other action imposed by the regulatory authorities.

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

Under the Financial Services Act 2010, the FCA has the power to require authorised firms, including the Group, to establish a customer redress scheme 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 FSA (now the FCA) has intervened directly. One such issue is the misselling of PPI. In August 2010, the FSA published a policy statement entitled "The assessment and redress of Payment Protection Insurance complaints" (the "**Policy Statement**"). The Policy Statement contained rules which altered the basis on which regulated firms (including Santander UK plc and certain Group entities) must consider and deal with complaints in relation to the sale of PPI and potentially increased the amount of compensation payable to customers whose complaints are upheld. A legal challenge of these rules by the British Bankers' Association (the "**BBA**") was unsuccessful. In light of this and the consequential increase in claims levels Santander UK plc performed a detailed review of the Group's provision requirements in the first half of 2011 and as a result, revised the Group's provision for PPI complaint liabilities to reflect the new information. The overall effect of the above was a substantial increase in the provision requirement for 2011. No additional provisions were made for PPI in 2012 or in 2013. In 2014, a total charge of £140m, including related costs, was made for further conduct remediation. Of this, £95m related to PPI, following a review of recent claims activity, which indicated that claims are now expected to continue for longer than originally anticipated. The FCA has announced that it will gather evidence on current trends in PPI to assess the current process for PPI complaints. The Group is considering the impact of this decision on the Group's PPI complaint liabilities, although it is not possible to determine at this time the nature or extent of that impact.

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 the implementation of the Policy Statement, 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 the Group has made relating to these claims. More generally, the Group can make no assurance that its estimates for potential liabilities, based on the key assumptions the Group used, are correct, and the reserves taken as a result may prove inadequate. If the Group were to incur additional expenses that exceed provisions for PPI liabilities or other provisions were to be incurred, these expenses could have a material adverse effect on the operating results, financial condition and prospects of the Group.

All the above is similarly relevant to any future industry-wide misselling or other issues that could affect the Group, such as the sale of other retail financial products and interest-rate derivative products sold to small and medium sized enterprises ("**SMEs**"). This may lead from time to time to: (i) significant direct costs or liabilities (including in relation to misselling); 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 U.K. 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 the 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.

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

In the U.K., the Financial Services Compensation Scheme ("FSCS") was established under the FSMA and is the U.K.'s statutory fund of last resort for customers of authorised financial services firms. The FSCS can pay compensation to customers if a PRA or FCA-authorized firm is unable, or likely to be unable, to pay claims against it (for instance, an authorised bank is unable to pay claims by depositors). The FSCS is funded by levies on firms authorised by the PRA or the FCA, including Santander UK plc 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 £18bn from HM Treasury to meet the compensation costs for customers of those firms. It is expected that the substantial majority of the principal will 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 Santander UK plc made a first capital contribution in August 2013. The second instalment was in scheme year 2014/15, and Santander UK plc made a second capital contribution in August 2014. For the year ended 31 December 2014, the Group charged £91m to the income statement in respect of the costs of the FSCS.

In the event that the FSCS raises further funds from authorised 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. The recent 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.

In addition, regulatory reform initiatives in the U.K. 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 of the European Union announced its intention that revisions to the EU Deposit Guarantee Scheme Directive should be adopted by the end of 2013. The 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 requires 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. In October 2014, the PRA published a consultation paper on the implementation of the DGSD. In its consultation paper, the PRA confirmed the U.K. Government's announced intention 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 the Company (and other Group entities 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 Group entities. 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 its operating results, financial condition and prospects.

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

The Banking Act 2009 (the "Banking Act") includes provision for a special resolution regime (the "SRR") pursuant to which specified U.K. authorities (HM Treasury, the Bank of England, the PRA and the FCA) have a variety of tools to deal with the failure (or likely failure) of certain U.K. incorporated entities, including authorised deposit-taking institutions and

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investment firms, and powers to recognise and give effect to certain resolution actions in respect of third country institutions. In addition, powers may be used in certain circumstances in respect of U.K. established banking group companies (including the Preference Share Issuer), where such companies are in the same group as a relevant U.K. or third country institution or in the same group as an EEA credit institution or investment firm.

The tools available under the Banking Act include share and property transfer powers (including powers for partial property transfers), bail-in powers, certain ancillary powers (including powers to modify contractual arrangements in certain circumstances) and special insolvency procedures which may be commenced by the U.K. authorities. It is possible that the tools described above could be used prior to the point at which an application for insolvency proceedings with respect to a relevant entity could be made and, in certain circumstances, the U.K. authorities may exercise broad pre-resolution powers in respect of relevant entities with a view to removing impediments to the exercise of the stabilisation tools.

In general, the Banking Act requires the U.K. authorities to have regard to specified objectives in exercising the powers provided for by the Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial system of the United Kingdom. The Banking Act includes provisions related to compensation in respect of instruments and orders made under it. In general, there is considerable uncertainty about the scope of the powers afforded to U.K. authorities under the Banking Act and how the authorities may choose to exercise them.

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

The U.K. bail-in power enables the U.K. resolution authorities 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 cancel or write down (in whole or in part) certain liabilities or modify the terms of certain contracts for the purposes of reducing or deferring the liabilities of a U.K. bank under resolution and the power to convert certain liabilities from one form to another. 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, the relevant U.K. resolution authority should have regard to the insolvency treatment principles when exercising the U.K. bail-in power. The insolvency treatment principles are that (i) the exercise of the U.K. 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 U.K. resolution authority must have regard when exercising the U.K. 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 U.K. bail-in power, it must report to the Chancellor of the Exchequer stating the reasons for its departure.

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. This may negatively affect the ability of Santander UK plc to meet its obligations in respect of its unsecured creditors in an insolvency scenario.

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The bail-in power under the Banking Act 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 could be exercised in respect of the Group's debt securities. The occurrence of circumstances in which bail-in powers would need to be exercised in respect of the Group would likely have a negative impact on its business.

The Banking Act also contains a mandatory write down power which grants powers to resolution authorities to recapitalise institutions within the scope of the Banking Act that are in severe financial difficulty or at the point of non-viability by permanently writing down Tier 1 or Tier 2 capital instruments issued by such institutions, or converting those capital instruments into shares. Before determining that any institution has reached a point of non-viability (and accordingly, before taking any form of resolution action or applying any resolution power), the U.K. 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 that institution into CET1 capital instruments. 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 Group would be likely to have a negative impact on its business.

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. If used in respect of Santander UK plc, the Preference Share Issuer, the Group or its holding company, these *ex ante* powers could have a negative impact on the Group's business.

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

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

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

Third party vendors provide key components of the Group's business infrastructure such as loan and deposit servicing systems, internet connections and network access. Any problems caused by these third parties, including as a result of them not providing the Group 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 business. Replacing these third party vendors could also entail significant delays and expense.

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

The Group and its subsidiaries and affiliates have entered into a number of services agreements pursuant to which 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 in connection with Partenon) provided by certain other members of the Banco Santander, S.A. group.

Risk Factors

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 financial subsidiaries of the Group do not deviate from prevailing market conditions for those types of transactions, including the requirement that the board of directors of the Group approve such transactions. The Group is likely to continue to engage in transactions with its subsidiaries or affiliates (including its controlling shareholder). Future conflicts of interest between the Group and any of its subsidiaries or affiliates, or among its subsidiaries and affiliates, may arise, which conflicts are not required to be and may not be resolved in the Group's favour.

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

The Group may fail to detect or prevent money laundering and other financial crime activities due to not correctly identifying its 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 anti-money laundering ("AML") and anti-terrorism regimes, 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 regarding sanctions and politically-exposed person screening, keep its customer, account and transaction information up to date and have implemented effective financial crime policies and procedures detailing what is required from those responsible. The Group's requirements also include AML training for its 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 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 its banking network for money laundering and financial crime related activities. These require implementation and embedding within the business effective controls and monitoring which require 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 it is able to effectively deter threats and criminality. 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 its staff to assist it by spotting such activities and reporting them, and its 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. Where the Group is unable to apply the necessary scrutiny and oversight there remains a risk of regulatory breach.

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

The reputational damage to the business and global brand of the Group would be severe if it was found to have breached AML or sanctions requirements. The Group's reputation could also suffer if it is unable to protect its customers or its business from being used by criminals for illegal or improper purposes.

6.40 ***Changes in Santander UK plc's pension liabilities and obligations could have a materially adverse effect on the Group***

Santander UK plc provides retirement benefits for many of the Group's former and current employees in the U.K. through a number of defined benefit pension schemes established under trust. Santander UK plc is the principal employer under these schemes, but the Group has only limited control over the rate at which it pays into such schemes. Under the U.K. statutory funding requirements, employers are usually required to contribute to the schemes at the rate they agree with the

Risk Factors

scheme trustees, although if they cannot agree, such rate can be set by the Pensions Regulator. The scheme trustees may, in the course of discussions about future valuations, seek higher employer contributions. The scheme trustees' power in relation to the payment of pension contributions depends on the terms of the trust deed and rules governing the pension schemes.

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

The 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.

In a judgment handed down on 18 December 2013, the U.K. High Court has held that, where multiple group companies are potential targets for the Pensions Regulator's power to issue contribution notices, the aggregate total of the contributions required by those notices is not limited to the amount required to fully fund the deficit in the relevant pension scheme under section 75 of the Pensions Act 1995 ("**Section 75**"). Although such a limit still applies in relation to a single contribution notice, this judgment means that, where there is more than one target for the Pensions Regulator's powers, each of the contribution notices it could issue to those targets can be for the full amount of the Section 75 funding deficit and, further, the scheme may, under such multiple contribution notices, recover more than the actual or notional employer debt, potentially creating a surplus for the scheme. The U.K. High Court's decision reopens the issue of schemes having a superior priority position over other creditors and further legal developments are expected as a result of the December 2013 judgment.

Should the value of assets to liabilities in respect of the defined benefit schemes operated by Santander UK plc record a deficit, due to a reduction in the value of the pension fund assets (depending on the performance of financial markets) or an increase in the pension fund liabilities due to changes in mortality assumptions, the rate of increase of salaries, discount rate assumptions, inflation, the expected rate of return on plan assets, or other factors, could result in by Santander UK plc 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 Group 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 Santander UK plc. As at 31 December 2014, the Pension Scheme Trustee had 14 directors, comprising seven Santander UK plc appointed directors 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 seven Pension Scheme Trustee directors, four appointed by Santander UK plc and 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 Santander UK Group Pension Scheme and not that of Santander UK plc. Any increase in the Group's pension liabilities and obligations could have a material adverse effect on its operating results, financial condition and prospects.

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

Risk Factors

pension schemes or liabilities. For a discussion of the ICB's recommendations see "*The Group is subject to substantial regulation and governmental oversight which could adversely affect the Group's business and operations*".

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

Disclosure controls and procedures over financial reporting are designed to reasonably assure that information required to be disclosed by the Group entities, such as Santander UK plc and Abbey National Treasury Services plc, in reports filed or submitted under the US Securities Exchange Act of 1934, as amended (the "**Exchange Act**") is accumulated and communicated to management, and recorded, processed, summarised and reported within the time periods specified in the US Securities and Exchange Commission's rules and forms. The Group adopted the Committee of Sponsoring Organisations of the Treadway Commission (COSO) 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 businesses are exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of 'rogue traders' or other employees. It is not always possible to deter employee misconduct and the precautions 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.

Description of the Issuer

DESCRIPTION OF THE ISSUER

ABBEY NATIONAL TREASURY SERVICES PLC

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

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

The Guarantor has given a guarantee under the Programme in respect of the N&C Securities. See section entitled "*Form of Guarantee*" below for details of the guarantee. The Guarantor has in place a deed poll guarantee in respect of liabilities of the Issuer incurred on or before 30 June 2017.

Business Overview

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

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

(a) Commercial Banking

Commercial Banking provides banking services to companies with a turnover of between £250,000 and £500m per annum through its enhanced platform, distribution capability and product suite through a network of regional business centres and through telephony and e-commerce channels, and commercial real estate and Social Housing. Commercial Banking products and services include loans and treasury services.

(b) Corporate and Institutional Banking

Corporate and Institutional Banking is a financial markets business focused on providing value added financial services to large corporates, with an annual turnover above £500m, and financial institutions, where they can be best serviced in terms of their more specialised and tailored product needs, and benefit from the Banco Santander group's global capability. It also serves the rest of Santander UK's business (including the Retail Banking and Commercial Banking divisions) from a product perspective. It is structured into five main product areas: Rates, Foreign exchange and money markets, Equity, Credit and Transaction Banking. In addition, large and complex clients are covered by teams organised along industry lines. Rates covers sales and trading activity for fixed income products. Foreign exchange offers a range of foreign exchange products and money markets runs securities lending/borrowing and repo businesses. Equity covers equity derivatives and property derivatives. Equity derivatives activities include the manufacture of structured products sold to retail and corporate customers of both Santander UK and of other financial institutions who sell them on to their customers. Credit originates loan and bond transactions in primary markets as well as their intermediation in secondary markets. Transaction Banking provides lending and cash management services, including deposit taking and trade finance.

(c) Corporate Centre

Corporate Centre consists of Financial Management & Investor Relations ("**FMIR**") and the non-core portfolios of Social Housing loans and structured credit assets. FMIR is responsible for managing capital and funding, balance sheet composition, structural

Description of the Issuer

market risk and strategic liquidity risk for the rest of the Santander UK Group. The non-core portfolios are being run-down and/or managed for value.

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

Position	Name	Other principal activities
Director	Marcelo Castro	Global Head of Santander Global Banking and Markets UK (SGBM).
Director	David Green	Director of Finance Projects, Santander UK plc.
Director	Karim Hajjaji	
Director	Antonio Roman	

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

Conflicts of Interest

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

Corporate Governance

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

Description of the Guarantor and the Group

DESCRIPTION OF THE GUARANTOR AND THE GROUP

SANTANDER UK PLC AND THE GROUP

Background

Santander UK plc was formed as a building society in 1944 and is now a public limited liability company incorporated and registered in England and Wales under the Companies Act 1985. It was incorporated on 12 September 1988 with registered number 2294747. Santander UK is a publicly listed company on the London Stock Exchange.

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 Base Prospectus, Santander UK plc is a wholly owned subsidiary of Santander UK Group Holdings plc, which is a subsidiary of 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. is a publicly listed company and is listed, among other markets, on the *Bolsa de Madrid* (Madrid Stock Exchange) which is one of the regulated markets in Spain.

The Issuer has in place a deed poll guarantee in respect of liabilities of the Guarantor incurred on or before 30 June 2017.

Corporate Purpose

Santander UK's purpose is to help people and businesses prosper as it builds the Best Bank in the U.K. - a bank that is Simple, Personal and Fair.

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 (with less than two directors, owners or partners), through a network of branches and ATMs, as well as through telephony, digital, mobile and intermediary channels. Retail Banking also includes Santander Consumer Finance, predominantly a vehicle finance business. Its main products are residential mortgage loans, savings and current accounts, credit cards and personal loans as well as insurance policies.

Commercial Banking

Commercial Banking offers a wide range of products and financial services to customers through a network of regional Corporate Business Centres ("CBCs") and through telephony and digital channels. The management of Santander UK's customers is organised according to their annual turnover (£250,000 to £50m for SMEs, and £50m to £500m for mid corporates), enabling Santander UK to offer a differentiated service to SMEs and mid corporate customers. Commercial Banking also includes specialist commercial real estate and Social Housing lending businesses.

Corporate & Institutional Banking

Corporate & Institutional Banking services corporate clients and financial institutions that, because of their size, complexity or sophistication, require specially-tailored services or value-added wholesale products. It offers risk management and other value-added financial services to large corporates with a turnover above £500m per annum, and financial institutions, as well as to the rest of Santander UK's businesses. The main businesses areas include: working capital management (trade and export finance and cash management), financing (Debt Capital Markets, and corporate and specialised lending) and risk management (foreign exchange, rates and liability management).

Description of the Guarantor and the Group

Corporate Centre

Corporate Centre predominantly consists of the non-core corporate and treasury legacy portfolios. Corporate Centre is responsible for managing capital and funding, balance sheet composition and structure and strategic liquidity risk for the Santander UK group. The non-core corporate and treasury legacy portfolios include aviation, shipping, infrastructure, commercial mortgages, Social Housing loans and structured credit assets, all of which are being run-down and/or managed for value.

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

Position	Name	Other principal activities
Chairman	Baroness Shriti Vadera	Non-Executive Director BHP Billiton; Non-Executive Director AstraZeneca plc; and Non-Executive Chairman Santander UK Group Holdings plc.
Deputy Chairman and Non-Executive Director	Juan Rodríguez Inciarte	Non-Executive Director of Santander UK Group Holdings plc; Director of Santander Consumer Finance, S.A.; Executive Director of Banco Santander, S.A.; Chairman of Saarema Inversiones, S.A.; Director of Vista Capital Expansion S.A. S.G.E.C.R.; and Director of SAM Investment Holdings Limited.
Executive Director and Chief Executive Officer	Nathan Bostock	Executive Director of Santander UK Group Holdings plc.
Non-Executive Directors	Michael Amato	Non-Executive Director of Santander UK Group Holdings plc; and President and CEO of Cimarron Advisory, Inc..
	Ana Botín	Group Executive Chairman of Banco Santander, S.A.; Non-Executive Director of Santander UK Group Holdings plc; Trustee of Fundación Botín; Director of SAM Investment Holdings Limited; Chairman of Portal Universia, S.A.; and Non-Executive Director of The Coca Cola Company.
	Roy Brown	Non-Executive Director of Santander UK Group Holdings plc; and Director of Banco Santander, S.A.
	Bruce Carnegie-Brown	Non-Executive Director of Santander UK Group Holdings plc; and Chairman of Moneysupermarket.com Group plc.
	Alain Dromer	Non-Executive Director of Santander UK Group Holdings plc; Director of Moody's Investors Service Limited; Independent Member of the Board of Moody's Deutschland GmbH; Member of the Supervisory Board of Moody's France SAS; Director of Majid Al Futtaim Trust LLC; and Non-Executive Director of Henderson European Focus Trust plc.
	Antonio Escámez Torres	Non-Executive Director of Santander UK Group Holdings plc; Chairman of Fundación Banco Santander, S.A.; Member of Banco Santander International Advisory Board; Chairman of Santander Consumer Finance, S.A.;

Description of the Guarantor and the Group

		Chairman of Openbank, S.A.; Vice-Chairman of Grupo Konnectanet S.L.; Vice-Chairman of Attijariwafa Bank Société Anonyme; Chairman of Arena Media Communications Espana, S.A.; and Chairman of Spain – India Council Foundation.
	José María Fuster	Non-Executive Director of Santander UK Group Holdings plc; Chief Information Officer of Banco Santander, S.A.; Managing Director of Banco Santander Group Technology and Operations; Director of Santander Consumer Holdings GmbH; Director of Ingeniería de Software Bancario, S.L.; Director of Santander Consumer Bank AG; and Director of Portal Universia, S.A.
	Manuel Soto	Non-Executive Director of Santander UK Group Holdings plc; Director of Cartera Industrial REA, S.A.; Member of the Advisory Board of Grupo Barceló; and Member of the Advisory Board, Befesa Medio Ambiente, S.A.
	Chris Jones	Non-Executive Director of Santander UK Group Holdings plc; Non-Executive Director of Redburn (Europe) Limited; Chair of the Advisory Board of Association of Corporate Treasurers; and Member of the Advisory Board of the Financial Services Faculty of the ICAEW.
	Genevieve Shore	Non-Executive Director of Moneysupermarket.com Group plc; Non-Executive Director of STV Group plc; and Non-Executive Director of Next Fifteen Communications Group plc.
	Ed Giera	Non-Executive Director at Pension Corporation Group Limited; Non-executive Director of Renshaw Bay Structured Finance Opportunity Fund; and Non-executive Director, Renshaw Bay Real Estate Finance Fund.
Senior Independent Director	Scott Wheway	Non-Executive Director of Santander UK Group Holdings plc; and Chairman of Aviva plc.

The business address of each of the directors is 2 Triton Square, Regent's Place, London NW1 3AN with telephone number +44 (0) 870 607 6000.

Conflicts of Interest

There are no potential conflicts of interest between the duties to the Guarantor of the persons listed under "*Directors of Santander UK plc*" above and their private interests and/or other duties.

Documents Incorporated by Reference

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the Central Bank of Ireland or filed with another competent authority for the purposes of the Prospectus Directive, shall be deemed to be incorporated in, and to form part of, this Base Prospectus and approved by the Central Bank of Ireland for the purpose of the Prospectus Directive:

- (1) the (i) audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2014, which appear on pages 99 to 169 (inclusive), and (ii) the Risk Review appearing on pages 24 to 89 (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 2014 (available at: http://www.santander.co.uk/csdlv/r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLte%2FSANDocument_C%2FSANDocumentPreview&cid=1324581220223);
- (2) the (i) audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2013, which appear on pages 106 to 183 (inclusive); (ii) Risk Management Report appearing on pages 25 to 96 (inclusive), with the exception of any section which is marked as unaudited; (iii) section entitled "Sources and uses of funding and liquidity" on page 22; and (iv) section entitled "Material Contracts" on page 202; in each case of the Issuer's Annual Report and Accounts for the year ended 31 December 2013 (available at: http://www.santander.co.uk/csdlv/r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLte%2FSANDocument_C%2FSANDocumentPreview&cid=1324567613695);
- (3) the (i) risk review appearing on pages 14 to 39 (inclusive) with the exception of any section which is marked as unreviewed; and (ii) unaudited condensed consolidated interim financial statements (including the independent review report to Abbey National Treasury Services plc) appearing on pages 42 to 64 (inclusive), in each case of the Issuer's unaudited half yearly financial report for the six months ended 30 June 2015 (available at: http://www.santander.co.uk/csdlv/r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLte%2FSANDocument_C%2FSANDocumentPreview&cid=1324581716419);
- (4) the (i) audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2014, which appear on pages 219 to 326 (inclusive) which includes, *inter alia*, financial information in respect of the financial year ended 31 December 2013 that has been adjusted since its original publication to reflect the adoption of IFRIC Interpretation 21[†] ("IFRIC 21") and its impact on the timing of the recognition of the charge for the Financial Services Compensation Scheme (see further Note 1 on page 230 thereof), (ii) the Risk Review appearing on page 25 to 144 (inclusive), with the exception of any section which is marked as unaudited, and (iii) the section entitled "Events after the balance sheet date" in the "Director's Report" on page 183; in each case, of the Guarantor's Annual Report and Accounts for the year ended 31 December 2014 (available at: http://www.santander.co.uk/csdlv/r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLte%2FSANDocument_C%2FSANDocumentPreview&cid=1324581225869);
- (5) the (i) audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2013, which appear on pages 201 to 316 (inclusive)[‡]; (ii) Risk Management Report appearing on pages 61 to 163 (inclusive), with the exception of any section which is marked as unaudited; (iii) audited information in the "Director's Report" on page 191; (iv) section entitled "UK Government Schemes" on page 57; (v) section entitled "Sources and uses of funding and liquidity" on page 57; and (vi) section entitled "Material Contracts" on page 335; in each case, of the Guarantor's Annual Report and Accounts for the year ended 31 December 2013 (available at: <http://www.aboutsantander.co.uk/documents/sanuk-2013-annual-report.pdf>);

[†] In May 2013, the IFRS Interpretations Committee issued IFRIC 21 which provides guidance on accounting for the liability to pay a government imposed levy. IFRIC 21 is effective in the EU for annual periods beginning on or after 17 June 2014, however, earlier application is permitted and Santander UK has elected to do so. This interpretation clarifies that the obligating event that gives rise to a liability to pay a government levy is the activity that triggers the payment of the levy as set out in the relevant legislation. An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period. The adoption of IFRIC 21 changed the accounting for the Financial Services Compensation Scheme, but did not affect the accounting for any other government imposed levy paid by Santander UK.

[‡] Investors should note that the audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2014 contain adjusted financial information for the financial year ended 31 December 2013 to reflect the adoption of IFRIC 21. See further (4) above.

Documents Incorporated by Reference

- (6) the (i) risk review appearing on pages 12 to 81 (inclusive) with the exception of any section which is marked as unreviewed; and (ii) unaudited condensed consolidated interim financial statements (including the independent review report to Santander UK plc) appearing on pages 102 to 135 (inclusive) with the exception of any section which is marked as unreviewed, in each case of the Guarantor's unaudited half yearly financial report for the six months ended 30 June 2015 (available at: http://www.santander.co.uk/csdlv1r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLite%2FSANDocument_C%2FSANDocumentPreview&cid=1324581710473); and
- (7) the unaudited consolidated financial information of the Guarantor for the nine months ended 30 September 2015, which appears on page 23 of the Quarterly Management Statement of Santander UK Group Holdings plc for the nine months ended 30 September 2015 (available at: http://www.santander.co.uk/csdlv1r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLite%2FSANDocument_C%2FSANDocumentPreview&cid=1324581932784),

provided also that any statement contained in a document, all or the relevant portion of which is incorporated by reference herein, shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in this Base Prospectus modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Base Prospectus. Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in the Base Prospectus.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a subsequent statement which is deemed to be incorporated by reference herein or contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise) (provided, however, that such statement shall only form part of the Base Prospectus to the extent that it is contained in a document, all or the relevant portion of which is incorporated by reference by way of a supplement produced in accordance with Article 16 of the Prospectus Directive). Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Base Prospectus.

Copies of the documents incorporated by reference in this Base Prospectus, listed at (1) to (6) above will be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Issuer and the Guarantor and at the specified offices of the Paying Agents.

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

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any N&C Securities, prepare a supplement to this Base Prospectus or publish a new Prospectus for use in connection with any subsequent issue of N&C Securities.

General Description of the Programme

GENERAL DESCRIPTION OF THE PROGRAMME

The following general description does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of N&C Securities, the applicable Final Terms (or, in the case of Exempt N&C Securities, the applicable Pricing Supplement). The Issuer, the Guarantor 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, other than where N&C Securities are Exempt N&C Securities, a new Prospectus or a supplement to this Base Prospectus will be published which will describe the effect of the agreement reached in relation to such N&C Securities.

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

Issuer and Guarantor

Abbey National Treasury Services plc (the "**Issuer**") may from time to time under the Programme issue notes ("**Notes**"), redeemable certificates ("**Certificates**" and together with the Notes, the "**N&C Securities**") linked to Preference Shares. N&C Securities issued by Abbey National Treasury Services plc under the Programme will be unconditionally and irrevocably guaranteed by Santander UK plc (the "**Guarantor**").

Programme Authorisation

The Programme and the issue of N&C Securities had been duly confirmed and authorised by a resolution of the Board of Directors of Abbey National Treasury Services plc dated 16 July 2015 and a funding and programme approval and authorisation in respect of Abbey National Treasury Services plc given by two Directors of Santander UK plc dated 12 October 2015. The giving of the guarantee of the N&C Securities by Santander UK plc had been duly authorised by a resolution of the Board of Directors of Santander UK plc dated 24 March 2015 and a funding and programme approval and authorisation in respect of Santander UK plc given by two Directors of Santander UK plc dated 12 October 2015.

Programme Size

The maximum aggregate outstanding nominal amount of all N&C Securities from time to time issued under the Programme will not exceed £2,000,000,000 (or its equivalent in other currencies calculated as described herein).

Listing and Admission to Trading

N&C Securities may be:

- (a) listed on the Official List of the Irish Stock Exchange (the "**Official List**") and admitted to trading on the regulated market of the Irish Stock Exchange;
- (b) listed on the Official List of the United Kingdom Listing Authority and admitted to trading on the Regulated Market of the London Stock Exchange;
- (c) listed or admitted, as the case may be, on other or further stock exchange(s) or markets as indicated in the applicable Issue Terms in relation to each Series; or
- (d) neither listed nor admitted to trading on any market.

The applicable Issue Terms 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.

The listing of N&C Securities on the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of N&C Securities which is to be admitted to listing on the Official List of the Irish Stock Exchange or United Kingdom Listing Authority and to trading on the Irish Stock Exchange's or the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a Global N&C Security or N&C

General Description of the Programme

Securities initially representing the N&C Securities of such Tranche. Application has been made to the Irish Stock Exchange for N&C Securities issued under the Programme to be admitted to the Official List and for such N&C Securities to be admitted to trading on the Irish Stock Exchange's regulated market. Application will be made to the UK Listing Authority for N&C Securities issued under the Programme to be admitted to the Official List of the United Kingdom Listing Authority and to the London Stock Exchange for such N&C Securities to be admitted to trading on the London Stock Exchange's regulated market. The listing on the Irish Stock Exchange of the Programme in respect of N&C Securities is expected to be granted on or around 30 November 2015.

Passporting

In accordance with Article 18 of the Prospectus Directive, the Issuer may request that the Central Bank of Ireland provide the competent authority of the United Kingdom, the Financial Conduct Authority with a certificate of approval attesting that the Base Prospectus of each of the Issuer and the Guarantor has been drawn up in accordance with the Prospectus Directive.

Types of 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 is linked to:

- (a) a share or a depository receipt representing a share or a basket of shares or depository receipts ("**Equity Linked Interest N&C Securities**");
- (b) an equity index or a basket of equity indices, an exchange traded fund or a basket of such funds ("**Equity Index/ETF Linked Interest N&C Securities**");
- (c) an inflation index or a basket of inflation indices ("**Inflation Index Linked Interest N&C Securities**");
- (d) a property index or a basket of property indices ("**Property Index Linked Interest N&C Securities**"); or
- (e) any combination of any of the above ("**Cross-Asset Linked Interest N&C Securities**").

Investors must review the Payout Annex together with the relevant Issue Terms to ascertain how the performance of the Reference Item(s) will affect the interest amount(s) payable on the N&C Securities.

The redemption amount payable in respect of N&C Securities issued under the Programme will be determined by reference to the value of the Preference Shares specified in the applicable Issue Terms and, unless the relevant N&C Securities are Exempt N&C Securities, if the N&C Securities are interest bearing, may be Fixed Rate N&C Securities, Floating Rate N&C Securities or Variable Interest Rate N&C Securities of the types described at (a) to (e) above.

Settlement

Settlement of the N&C Securities must be by way of cash settlement only.

Prospective investors must review the Payout Annex (for Non-Exempt N&C Securities) together with the applicable Issue Terms to ascertain details of the Reference Items (if any) (for the purposes of the determination of interest) and the Preference Shares (for the purposes of the determination of amounts payable upon redemption) and the Conditions and the applicable Final Terms to see how the Final Redemption Amount, Optional Redemption Amount, Early Redemption Amount, 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.

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 or the Guarantor.

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As a result of the restrictions set out in the section of this Base Prospectus entitled "*Subscription and Sale*" on page 259, 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 in reliance on Regulation S.

Immobilised Bearer N&C Securities will be issued through Citibank, N.A., London Branch in its capacity as Book-Entry Depository pursuant to an N&C Securities Depository Agreement dated on or about the date of this Base Prospectus and may not at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, a U.S. Person, as described in "*Form of the N&C Securities*".

CREST Depository Interests

If CREST Depository Instruments are specified in the Issue Terms, investors may hold indirect interests in the N&C Securities (such N&C Securities being "**Underlying Securities**") through CREST (being the system for the paperless settlement of trades and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited or any successor thereto in accordance with the United Kingdom Uncertificated Securities Regulations 2001, 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 and Ireland Limited (formerly known as CREST Co Limited) ("**CREST**"). CREST Depository Interests are issued by CREST Depository Limited or any successor thereto (the "**CREST Depository**") pursuant to the Global Deed Poll dated 25 June 2001, in the form from time to time contained in Chapter 8 of the CREST International Manual (which forms part of the CREST Manual) (as defined below in "*Book-Entry Clearance Systems and Settlement*") (as subsequently modified, supplemented and/or restated) (the "**CREST Deed Poll**").

CREST Depository Interests represent indirect interests in the Underlying Securities to which they relate and holders of CREST Depository Interests will not be the legal owners of the Underlying Securities. Holders of CREST Depository Instruments will not be entitled to deal directly in the N&C Securities and, accordingly, all dealings in the N&C Securities will be effected through CREST in relation to the holding of CREST Depository Interests.

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

CREST International Nominees Limited or another entity appointed to act as nominee in accordance with the CREST Deed Poll (the "**CREST Nominee**") will hold the legal title to the Underlying Securities and the direct enforcement right in respect of the Underlying Securities. This could result in a holder of CREST Depository Interests receiving less than, or none of, the full amount payable in respect of the Underlying Securities in the event of any insolvency or liquidation of any relevant intermediary, in particular where the Underlying Securities held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

The rights of the holders of CREST Depository Interests in respect of their indirect interests in the relevant N&C Securities will be governed by the arrangements between CREST and Euroclear Bank S.A., Euroclear Bank N.V. and/or Clearstream Banking, SA, Luxembourg or any other clearing system specified in the Issue Terms in respect of the relevant N&C Securities in which the Underlying Securities are held, including the CREST Deed Poll executed by the CREST Depository. These rights are different from those of holders of N&C Securities which are not represented by CREST Depository Interests.

CREST Depository Interests are further described in the section entitled "*Book-Entry Clearance Systems and Settlement*".

General Description of the Programme

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

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 Linked 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 Final Terms, in the case of any Tranche of Non-Exempt N&C Securities (as defined below), will complete and supplement the Conditions in relation to each such Tranche of N&C Securities and the applicable Pricing Supplement in relation to any Tranche of Exempt N&C Securities will complete and supplement the Conditions in relation to such Tranche of N&C Securities and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, together with the Annex(es) (if applicable), replace or modify the following Conditions for the purpose of such N&C Securities. The applicable Final Terms (or the relevant provisions thereof) or the applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global N&C Security and definitive N&C Security. In the case of Non-Exempt N&C Securities, reference should be made to the "applicable Final Terms" for a description of the content of the applicable Final Terms which will specify which of such terms are to apply in relation to the relevant N&C Securities. References in these Conditions to "**Final Terms**" or "**Pricing Supplement**" shall mean a tranche of N&C Securities issued pursuant to this Base Prospectus and references to "**Issue Terms**" shall mean either (i) in respect of Non-Exempt N&C Securities, the applicable Final Terms or (ii) in respect of Exempt N&C Securities, the applicable Pricing Supplement, and should be construed accordingly.

This N&C Security is one of a Series of Linked N&C Securities (such N&C Securities being referred to hereinafter as "**N&C Securities**") issued by Abbey National Treasury Services plc (the "**Issuer**", which expression shall include any substitute pursuant to N&C Security Condition 15 (Substitution) below) pursuant to an Agency Agreement (as defined below). N&C Securities will be either notes ("**Notes**") or redeemable certificates ("**Certificates**"), as specified in the applicable Issue Terms, and references in these Terms and Conditions to "**N&C Security**", "**N&C Securities**", "**Note**", "**Notes**", "**Certificate**" or "**Certificates**" will be construed accordingly. This N&C Security is one of a Series (as defined below) of securities issued by the Issuer.

References herein to the "**N&C Securities**" shall be references to the N&C Security of this Series and shall mean:

1. in relation to any N&C Security(ies) represented by a global N&C Security in bearer form (a "**Global N&C Security**" (which includes any Bearer Global N&C Security and any Immobilised Bearer Global N&C Security (as defined below)):
 - (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 Issue Terms; 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 depositary interests (in the case of Immobilised Bearer Global N&C Securities (as defined below) to be settled through Euroclear and/or Clearstream, Luxembourg) ("**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 and the Coupons (as defined below) have the benefit of an agency agreement dated on or about 30 November 2015 (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer, Santander UK plc (the "**Guarantor**") as guarantor, Citibank, N.A., London as issuing and principal paying agent and transfer agent (the "**Principal Paying Agent**", which expression shall include any additional or successor agent acting in such

General Terms and Conditions of the N&C Securities

capacities), Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**", which expression shall include any additional or successor registrar) and as transfer agent (the "**Transfer Agent**", which expression shall include the Principal Paying Agent in its capacity as a transfer agent and any additional or successor transfer agents) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**"). The Principal Paying Agent, the Registrar, the Paying Agents, the Transfer Agent and the Calculation Agent are together referred to as the "**Agents**".

References to "**Calculation Agent**" are to the entity specified as such in the applicable Issue Terms or any successor in such capacity.

The Issuer's obligations in respect of this N&C Security have been guaranteed by the Guarantor pursuant to a guarantee (such guarantee, as modified, supplemented and/or restated from time to time, the "**Guarantee**") dated 30 November 2015 and executed by the Guarantor. The original Guarantee is held by the Principal Paying Agent at its specified office.

The issue terms for this N&C Security (or the relevant provisions thereof) are set out in Part A of the Final Terms (or Pricing Supplement, in the case of Exempt N&C Securities) attached to or endorsed on this N&C Security which supplement these General Terms and Conditions of the Linked N&C Securities (the "**Conditions**", which term shall include one or more Annex(es) in the form annexed hereto (each an "**Annex**") if specified as applicable herein and/or in such Issue Terms) and, if the N&C Security is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an "**Exempt N&C Security**"), may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify the Conditions for the purposes of this N&C Security. The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area. Any references to a "**Non-Exempt N&C Security**" are to a N&C Security that is not an Exempt N&C Security. References to the "**applicable Issue Terms**", "**applicable Final Terms**" or "**applicable Pricing Supplement**", as the case may be, are, unless otherwise stated, to Part A of the Final Terms or the Pricing Supplement, as appropriate, (or the relevant provisions thereof) attached to or endorsed on this N&C Security. Interest bearing Definitive Bearer N&C Securities have interest coupons ("**Coupons**") and in the case of N&C Securities which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference in these Conditions to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Registered N&C Securities and Global N&C Securities do not have Coupons or Talons attached on issue.

Any reference to "**N&C Securityholders**" or "**holders**" in relation to any N&C Securities shall mean the holders of the relevant N&C Security, as applicable, and shall, in relation to any N&C Securities represented by a Global N&C Security, be construed as provided below. Any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means N&C Securities which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of N&C Securities together with any further Tranche or Tranches of N&C Securities which are (i) expressed to be consolidated and form a single series and (ii) 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, if any, and the date from which interest starts to accrue.

The N&C Securityholders and the Couponholders are entitled to the benefit of the deed of covenant (such deed of covenant as modified, supplemented and/or restated from time to time, the "**Deed of Covenant**") dated 30 November 2015 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear and Clearstream, Luxembourg (each as defined herein).

Copies of the Agency Agreement (which contains the form of the Guarantee and the Deed of Covenant) are available for inspection during normal business hours at the specified office of each of the Paying Agents. If the N&C Securities are to be admitted to trading on the regulated market of the Irish Stock Exchange or the London Stock Exchange plc, the applicable Final Terms will be published on the website of the Irish Stock Exchange or London Stock Exchange plc, as applicable (in the case of the London Stock Exchange plc through a regulatory information service). If an N&C Security is not so listed but is not an Exempt N&C Security, the applicable Final Terms will be published on the website of the Central Bank of Ireland (www.centralbank.ie) as the competent authority of the home member state for such N&C Securities. If an N&C Security is an Exempt N&C Security, the applicable Pricing Supplement will only be obtainable by a holder holding one or more N&C Securities and such N&C Securityholder must produce evidence

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satisfactory to the Issuer and the relevant Paying Agent as to its holding of such N&C Securities and identity. The N&C Securityholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantee, the Deed of Covenant and the applicable Issue Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Issue Terms shall have the same meanings when used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Issue Terms, the applicable Issue Terms shall prevail. In the case of any inconsistency between any Annex(es) specified as applicable herein and/or in the applicable Issue Terms and other parts of these Conditions, the provisions of the applicable Annex(es) shall prevail unless otherwise specified herein. In the case of any inconsistency between the applicable Issue Terms and the Conditions, the applicable Issue Terms shall prevail.

1. FORM, DENOMINATION AND TITLE

1.1 FORM

Other than in the case of Book-Entry Interests, CDIs and Definitive Registered N&C Securities, the N&C Securities will be issued in bearer form in the currency (the "**Specified Currency**") and denominations (the "**Specified Denomination(s)**") specified in the applicable Issue Terms or (if so indicated in the applicable Issue Terms) in security units, and, in the case of definitive N&C Securities, serially numbered. N&C Securities of one Specified Denomination may not be exchanged for N&C Securities of another Specified Denomination. Unless otherwise specified in the applicable Issue Terms, the N&C Securities will be issued in classic global note ("**CGN**") form.

Each Tranche of N&C Securities in bearer form will be initially issued in the form of a temporary global security (a "**Temporary Bearer Global N&C Security**") or, if so specified in the applicable Issue Terms, a permanent global security (a "**Permanent Bearer Global N&C Security**" and, together with a Temporary Bearer Global N&C Security, a "**Bearer Global N&C Security**") which, in either case, will:

- (a) if the Global N&C Securities are intended to be issued in new global note ("**NGN**") form, as stated in the applicable Issue Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"); or
- (b) if the Global N&C Securities are intended to be issued in CGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for, Euroclear and Clearstream, Luxembourg.

Interests in N&C Securities issued as bearer securities in immobilised form ("**Immobilised Bearer N&C Securities**") that may not at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, a U.S. Person will initially be represented by a global security in bearer form (a "**Permanently Restricted Global N&C Security**" or a "**Immobilised Bearer Global N&C Security**").

The Immobilised Bearer Global N&C Securities will initially be issued in bearer form, without interest coupons, and title thereto will pass by delivery. If any 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 N&C securities depositary agreement (such agreement as amended and/or supplemented and/or restated from time to time, the "**N&C Securities Depositary Agreement**") dated on or around 30 November 2015 between the Issuer, Citibank N.A., London Branch (the "**Book-Entry Depositary**"), Citibank N.A., London Branch (the "**Custodian**") and Citigroup Global Markets Deutschland AG (the "**Registrar**"), the Immobilised Bearer Global N&C Securities of each Series will on issue be deposited with the Book-Entry Depositary. Pursuant to the terms of the N&C Securities Depositary Agreement, the Book-Entry Depositary will hold any Immobilised Bearer Global N&C Security for the holders of the CDIs and owners of the Book-Entry Interests as bare trustee and the owners of the Book-Entry Interests will accordingly be tenants in common in respect of the CDIs to the extent of the Book-Entry Interests in respect of which they are owners. The Book-Entry Depositary shall have only those rights, discretions, duties, obligations and responsibilities expressly specified in the N&C Securities Depositary Agreement and the Conditions and, other than holding any Immobilised Bearer Global N&C Security

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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

For any Non-Exempt N&C Security, such N&C Security may be a Fixed Rate N&C Security, a Floating Rate N&C Security, an Equity Index/ETF Linked Interest N&C Security, an Equity Linked Interest N&C Security, an Inflation Index Linked Interest N&C Security or a Property Index Linked Interest N&C Security, as specified in the Payout Annex depending upon the N&C Coupon Payout (as defined in the Payout Conditions) extracted, included and completed in the applicable Final Terms, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms. This N&C Security may be a non-interest bearing N&C Security, if specified as such in the applicable Final Terms.

If the applicable N&C Security is an Exempt N&C Security, such N&C Security may be (i) a Fixed Rate N&C Security, (ii) a Floating Rate N&C Security, (iii) a non-interest bearing N&C Security, (iv) a Variable Interest Rate N&C Security, or (v) any one of an Equity Index/ETF Linked Interest N&C Security, an Equity Linked Interest N&C Security an Inflation Index Linked Interest N&C Security or a Property Index Linked Interest N&C Security, or any other type of interest bearing N&C Securities or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

The amount payable on redemption, optional redemption or early redemption of this N&C Security will be determined by reference to the performance of preference shares, as described more fully in Condition 7 (Redemption and Purchase).

1.3 Coupons attached

Definitive Bearer N&C Securities are issued with Coupons, unless they are non-interest bearing N&C Securities in which case references to Coupons and Couponholders in these Conditions are not applicable. For all N&C Securities, settlement shall be by way of cash payment.

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 and Coupons will pass by delivery and title to the Definitive Registered N&C Securities will pass upon registration of transfers in the books of the Register, which is kept by the Registrar, in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor, and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Definitive Bearer N&C Security 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 Clearstream, Luxembourg as the holder of a particular nominal amount or number of units of such N&C Securities (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount or number of units of such N&C Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Paying Agents as the holder of such nominal amount or number of units of such N&C Securities for all purposes other than with respect to the payment of principal or interest on such nominal amount or number of units of such N&C Securities, for which purpose the bearer of the relevant Bearer Global N&C Security shall be treated by the Issuer, the Guarantor and the Paying Agents as the holder of such nominal amount or number of units of such N&C

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Securities in accordance with and subject to the terms of the relevant Global N&C Security and the expressions "**N&C Securityholder**" and "**holder of N&C Securities**" and related expressions shall be construed accordingly.

N&C Securities which are represented by a Bearer Global N&C Security will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or any additional or alternative clearing system specified in Part B of the applicable Issue Terms or, in the case of Exempt N&C Securities only, as may be otherwise approved by the Issuer, the Guarantor, the Registrar and the Paying Agents (each a "**Clearance System**").

1.6 Title to 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 ("**Permanently Restricted Immobilised Bearer N&C Securities**") which are deposited with the Book-Entry Depositary, the Book-Entry Depositary will issue registered certificated depositary interests ("**CDIs**") to a common depositary for Euroclear and Clearstream, Luxembourg, or its nominee, and will record the CDIs in the books and records of the Registrar in the name of the nominee of the common depositary. Ownership of interests in the Permanently Restricted Immobilised Bearer N&C Securities deposited with the Book-Entry Depositary (the "**Book-Entry Interests**") will be limited to persons with an account with Euroclear and/or Clearstream, Luxembourg or persons who may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be affected only through records maintained in book-entry form by Euroclear and/or Clearstream, Luxembourg and their participants.

2. TRANSFER

2.1 Transfers of interests in Immobilised Bearer Global N&C Securities

Transfers of Book-Entry Interests will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and in turn by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A Book-Entry Interest will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for registered N&C Securities in definitive form or for a Book-Entry Interest in another N&C Security only in the authorised denominations (in the case of N&C Securities) or number of security units (in the case of Certificates) set out in the applicable Issue Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

Pursuant to the N&C Securities Depositary Agreement, the Immobilised Bearer Global N&C Securities may be transferred only to a successor to the relevant Book-Entry Depositary.

Unless and until Book-Entry Interests are exchanged for Definitive Registered N&C Securities, the CDIs held by the common depositary or its nominee for Euroclear and Clearstream, Luxembourg may not be transferred except as a whole to a nominee or a successor approved by the Issuer.

Book-Entry Interests will be subject to certain restrictions on transfer and certification requirements and may bear a legend regarding such restrictions.

All transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream, Luxembourg will be effected by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, Luxembourg and their respective participants.

Book-Entry Interests in an Immobilised Bearer Global N&C Security may in certain circumstances be exchanged for Definitive Registered N&C Securities upon receipt by the Registrar of instructions from a Paying Agent. It is expected that such instructions of the Paying Agent will be based upon directions received by Euroclear or Clearstream, Luxembourg, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered N&C Securities issued in exchange for a Book-Entry Interest will, except as otherwise determined by the Issuer in compliance with

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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 2.3 (Costs of registration) and 2.4 (Transfers of interests in Book-Entry Interests) below, upon the terms and subject to the terms and conditions set forth in the Agency Agreement, a Definitive Registered N&C Security may be transferred in whole or in part in the authorised denominations set out in the applicable Issue Terms. In order to effect any such transfer:

- (A) the holder or holders must:
 - (i) surrender the Definitive Registered N&C Security for registration of the transfer of the Definitive Registered N&C Security (or the relevant part of the Definitive Registered N&C Security) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and
 - (ii) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent; and
- (B) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe. 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 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.

2.4 Transfers of interests in Book-Entry Interests

Transfers of Book-Entry Interests or of a beneficial interest in a Book-Entry Interest may not at any time be made to a transferee in the United States or to, or for the account or benefit of, a U.S. Person and any offer, sale, resale, trade, pledge, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. Person will not be recognised.

2.5 Definitions

In this N&C Security Condition 2, "**United States**" means the United States of America, including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction.

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3. STATUS OF THE N&C SECURITIES

The N&C Securities and the related Coupons (if any) are direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves and (subject to any applicable statutory provisions or judicial order) at least equally with all other present and future direct, unconditional, unsecured and unsubordinated obligations of the Issuer.

4. STATUS OF THE GUARANTEE

The obligations of the Guarantor under the Guarantee are direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and rank *pari passu* with all present and future direct, unconditional, unsecured and unsubordinated obligations (including those arising under deposits received in its banking business) of the Guarantor, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.

Subject as provided below and in the Guarantee, the Guarantor has unconditionally and irrevocably:

- (a) guaranteed to each N&C Securityholder all obligations of the Issuer in respect of such N&C Securityholder's N&C Securities as and when such obligations become due; and
- (b) agreed that if and each time that the Issuer fails to satisfy any obligation under such N&C Securities as and when such obligation becomes due, the Guarantor will (without requiring the relevant N&C Securityholder first to take steps against the Issuer or any other person) make or cause to be made such payment or satisfy or cause to be satisfied such obligation punctually when and as the same shall become due and payable or due to be satisfied, as the case may be, as though the Guarantor were the principal obligor in respect of such obligation.

5. INTEREST

5.1 Interest Definitions

The applicable Issue Terms will indicate whether the N&C Securities are Variable Interest Rate N&C Securities of a type specified in the Payout Annex, Fixed Rate N&C Securities, Floating Rate N&C Securities or any combination of the foregoing. In the case of Exempt N&C Securities, the applicable Pricing Supplement will indicate the applicable interest basis.

Where the N&C Securities are specified to be Fixed Rate N&C Securities, the interest payable in respect of the N&C Securities will be calculated in accordance with N&C Security Condition 5.2 (Interest on Fixed Rate N&C Securities) below and/or the relevant provisions of the Payout Annex.

Where the N&C Securities are specified to be Floating Rate N&C Securities, the interest payable in respect of the N&C Securities will be calculated in accordance with N&C Security Condition 5.3 (Interest on Floating Rate N&C Securities and Variable Interest Rate N&C Securities) below and/or the relevant provisions of the Payout Annex.

Where the N&C Securities are Variable Interest Rate N&C Securities, the interest payable in respect of the N&C Securities will be calculated in accordance with N&C Security Condition 5.3 (Interest on Floating Rate N&C Securities and Variable Interest Rate N&C Securities) below and/or the relevant provisions of the Payout Annex and/or, in the case of Exempt N&C Securities only, the Pricing Supplement.

Where the N&C Securities are Exempt N&C Securities which are not Fixed Rate N&C Securities or Floating Rate N&C Securities, the interest payable in respect of the N&C Securities, if any, will be calculated in accordance with N&C Security Condition 5.4 (Interest on Exempt N&C Securities) below.

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If the applicable Issue Terms state that the N&C Securities are non-interest bearing N&C Securities, this Condition 5 will not apply to the N&C Securities.

In these Conditions:

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this N&C Security Condition 5:

- (A) if "**Actual/Actual (ICMA)**" or "**Act/Act (ICMA)**" is specified in the applicable Issue Terms:
 - (i) in the case of N&C Securities where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period (as defined below) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (a) the number of days in such Determination Period and (b) the number of Determination Dates (as specified in the applicable Issue Terms) that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; or
 - (ii) in the case of N&C Securities where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (a) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Issue Terms) that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; and
 - (b) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year;
- (B) if "**Actual/Actual (ISDA)**", "**Actual/Actual**", "**Act/Act**" or "**Act/Act (ISDA)**" is specified in the applicable Issue Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period (as defined above) falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (C) if "**Actual/365 (Fixed)**", "**Act/365 (Fixed)**", "**A/365 (Fixed)**" or "**A/365F**" is specified in the applicable Issue Terms, the actual number of days in the relevant Interest Period, divided by 365;
- (D) if "**Actual/365 (Sterling)**" is specified in the applicable Issue Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (E) if "**Actual/360**", "**Act/360**" or "**A/360**" is specified in the applicable Issue Terms, the actual number of days in the relevant Interest Period, divided by 360;
- (F) if "**30/360 (ICMA)**" is specified in the applicable Issue Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) up to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12-30 day months) divided by 360;
- (G) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Issue Terms, the number of days in the relevant Interest Period divided by 360, calculated on a formula basis as follows:

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

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 Issue Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

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 Issue Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

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;

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"**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).

5.2 Interest on Fixed Rate N&C Securities

This N&C Security Condition 5.2 applies to Fixed Rate N&C Securities only. The applicable Issue Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this N&C Security Condition 5.2 and/or the relevant provisions of the Payout Annex for full information on the manner in which interest is calculated on Fixed Rate N&C Securities. In particular, the applicable Issue Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction, the Business Day Convention and any applicable Determination Date.

- (a) If no Fixed Coupon Amount or Broken Amount is specified in the applicable Issue Terms, the following provisions shall apply with respect to a Fixed Rate N&C Security:

Each Fixed Rate N&C Security will bear interest from (and including) the Interest Commencement Date (which unless otherwise specified in the applicable Issue Terms shall be the Issue Date) at the rate(s) (expressed as a percentage) equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Scheduled Maturity Date.

Such interest will be payable in respect of each Fixed Rate N&C Security Interest Period. In these Conditions and for the purposes of Fixed Rate N&C Securities only, "**Fixed Rate N&C Security Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Issue Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined in N&C Security Condition 5.6 below), then, if the Business Day Convention specified is:

- (i) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (ii) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (iii) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

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Unless Day Count Fraction is specified as "Not Applicable" in the applicable Issue Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (i) in the case of Fixed Rate N&C Securities which are represented by a Global N&C Security, the aggregate outstanding nominal amount of the Fixed Rate N&C Securities represented by such Global N&C Security; or
- (ii) in the case of Fixed Rate N&C Securities in definitive form held by each N&C Securityholder, the aggregate outstanding nominal amount of such Fixed Rate N&C Securities held by such N&C Securityholder,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure in accordance with the Rounding Convention (as specified in N&C Security Condition 6 (Payments) below). Where the Specified Denomination of a Fixed Rate N&C Security in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate N&C Security shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

- (b) If a Fixed Coupon Amount or Broken Amount is specified in the applicable Issue Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Rate N&C Security Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Issue Terms, amount to the Broken Amount so specified.

5.3 Interest on Floating Rate N&C Securities and Variable Interest Rate N&C Securities

This N&C Security Condition 5.3 applies to Floating Rate N&C Securities and Variable Interest Rate N&C Securities only. The applicable Issue Terms contains provisions applicable to the determination of interest in respect of such N&C Securities and must be read in conjunction with this N&C Security Condition 5.3 and/or the relevant provisions of the Payout Annex for full information on the manner in which interest is calculated on Floating Rate N&C Securities and Variable Interest Rate N&C Securities. In particular, the applicable Issue Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention and any Additional Business Centres. In respect of Floating Rate N&C Securities, the applicable Issue Terms will specify whether ISDA Determination, Screen Rate Determination or Bank of England Base Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Principal Paying Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Issue Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Issue Terms will also specify the applicable Reference Rate, any Rate Multiplier, Interest Determination Date(s) and Relevant Screen Page. Where Bank of England Base Rate Determination applies to the calculation of interest, the applicable Issue Terms will also specify the Designated Maturity, Interest Determination Date(s) and Relevant Screen Page. In respect of Variable Interest Rate N&C Securities, the applicable Issue Terms will identify those items specified in the applicable paragraph of the Payout Annex.

(A) Interest Payment Dates

Each Floating Rate N&C Security and Variable Interest Rate N&C Security will bear interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

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

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

If a Business Day Convention is specified in the applicable Issue Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined in N&C Security Condition 5.6 below), then, if the Business Day Convention specified is:

- (a) in any case where Specified Periods are specified in accordance with N&C Security Condition 5.3(A)(ii) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (b) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (c) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (d) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(B) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate N&C Securities will be determined in the manner specified in the applicable Issue Terms. The Rate of Interest payable from time to time in respect of Variable Interest Rate N&C Securities will be determined in accordance with the relevant paragraph of the Payout Annex as completed by the applicable Issue Terms.

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

Where ISDA Determination is specified in the applicable Issue Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be (x) the relevant ISDA Rate (y) plus or minus (as indicated in the applicable Issue Terms) the Margin (if any) the result of which will be (z) multiplied by the Rate Multiplier, if any, provided the Rate of Interest may not be less than zero. For the purposes of this sub paragraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or other person specified in the applicable Issue Terms, under an interest rate swap transaction if the Principal Paying Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions (as defined below) and under which:

- (a) the Floating Rate Option is as specified in the applicable Issue Terms;
- (b) the Designated Maturity is that period specified in the applicable Issue Terms; and
- (c) the relevant Reset Date is the day specified in the applicable Issue Terms.

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For the purposes of this sub-paragraph (i), (x) "**Euro-zone**" means the region comprised of member states of the European Union ("**Member States**") that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam and (y) "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

Where ISDA Determination is specified in the applicable Issue Terms as the manner in which the Rate of Interest is to be determined, unless otherwise stated in the applicable Issue Terms, the Minimum Rate of Interest shall be deemed to be zero.

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

(a) Where Screen Rate Determination is specified in the applicable Issue Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be (x) either:

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

(expressed as a percentage rate per annum) for the Reference Rate (being either the London interbank offered rate ("**LIBOR**") or the European interbank offered rate ("**EURIBOR**"), as specified in the applicable Issue Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11:00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date (as specified in the applicable Issue Terms) in question, in each case (y) plus or minus (as indicated in the applicable Issue Terms) the Margin (if any), the result of which will be (z) multiplied by the Rate Multiplier (if any), all as determined by the Principal Paying Agent or other person as specified in the applicable Issue Terms and provided the Rate of Interest may not be less than zero. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent (or other person as specified in the applicable Issue Terms) for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

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

(iii) *Bank of England Base Rate Determination for Floating Rate N&C Securities*

Where Bank of England Base Rate Determination is specified in the applicable Issue Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be (x) the Bank of England Base Rate (y) plus or minus (as indicated in the applicable Issue Terms) the Margin (if any), the result of which will be (z) multiplied by the Rate Multiplier, if any, all as determined by the Calculation Agent.

"**Bank of England Base Rate**" means the most recent published rate for deposits for a period equal to the Designated Maturity (as specified in the applicable Issue Terms) which appears on the Relevant Screen Page (as specified in the applicable Issue Terms) as of 5:00 p.m., London time, on the Interest

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Determination Date (as specified in the applicable Issue Terms) or, if such Relevant Screen Page is not available, such replacement page as the Calculation Agent shall select, or if the Calculation Agent determines no suitable replacement page exists, the rate determined by the Calculation Agent in good faith and in a commercially reasonable manner.

- (iv) If, in respect of Exempt N&C Securities, the Reference Rate from time to time in respect of Floating Rate N&C Securities is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Exempt N&C Securities will be determined as provided in the applicable Pricing Supplement.

(C) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Issue Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (B) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If no other Minimum Rate of Interest for any Interest Period is specified in the applicable Issue Terms, then the Minimum Rate of Interest in respect of such Interest Period shall be deemed to be zero and in no event shall the Rate of Interest for such calculation period in accordance with N&C Security Condition 5.3(B) above be less than zero.

If the applicable Issue Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (B) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(D) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent (or other person as specified in the applicable Issue Terms), in the case of Floating Rate N&C Securities, and the Calculation Agent, in the case of Variable Interest Rate N&C Securities will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Variable Interest Rate N&C Securities, if applicable, the Calculation Agent will determine the Rate of Interest as provided in the Payout Annex as completed by the applicable Issue Terms. The Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

In the case of Variable Interest Rate N&C Securities, if applicable, the Calculation Agent will determine the Interest Amount as provided in the Payout Annex as completed by the applicable Issue Terms.

Unless Day Count Fraction is specified as "Not Applicable" in the applicable Issue Terms, the Principal Paying Agent (or other person as specified in the applicable Issue Terms), in the case of Floating Rate N&C Securities, and the Calculation Agent, in the case of all other Variable Interest Rate N&C Securities, will calculate the amount of interest (the "**Interest Amount**") payable on the N&C Securities for the relevant Interest Period by applying the Rate of Interest to:

- (a) in the case of Floating Rate N&C Securities and Variable Interest Rate N&C Securities which are represented by a Global N&C Security, the aggregate outstanding nominal amount of the applicable N&C Securities represented by such Global N&C Security;
- (b) in the case of Floating Rate N&C Securities and Variable Interest Rate N&C Securities which are in definitive form held by each N&C Securityholder, the aggregate outstanding nominal amount of such Floating Rate N&C Securities or Variable Interest Rate N&C Securities (as applicable) held by such N&C Securityholder,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure in accordance with the Rounding Convention (as specified in N&C Security Condition 6 (Payments) below).

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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 Issue Terms, 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 Issue Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Issue Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which 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 Issue Terms) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange and/or market on which the relevant Floating Rate N&C Securities or a Variable Interest Rate N&C Securities are for the time being listed and/or admitted to trading and notice thereof to be published in accordance with N&C Security Condition 14 (Notices) as soon as possible after their determination but in no event later than the fourth (4th) London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange and/or market on which the relevant Floating Rate N&C Securities or Variable Interest Rate N&C Securities are for the time being listed and/or admitted to trading and to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices). For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

(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 5.3 (Interest on Floating Rate N&C Securities and Variable Interest Rate N&C Securities), whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent (if applicable), the other Paying Agents and all N&C Securityholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Guarantor, the N&C Securityholders 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.

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5.4 Interest on Exempt N&C Securities

The rate or amount of interest, if any, payable in respect of Exempt N&C Securities which are not Fixed Rate N&C Securities or Floating Rate N&C Securities shall be determined in the manner specified in the applicable Pricing Supplement.

5.5 Accrual of interest

In respect of each interest bearing N&C Security no interest will be payable on any early redemption of the N&C Securities unless the relevant Interest Payment Date has occurred on or prior to the relevant Early Redemption Date and the interest payable in respect of such Interest Payment Date has not already been paid.

Unless early redeemed or purchased and cancelled, each N&C Security will cease to bear interest (if any) from the date for its final redemption or if earlier, the Scheduled Maturity Date unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue on the relevant payment of principal on a daily basis from and including such date of presentation at the relevant Rate of Interest and on the basis of the applicable Day Count Fraction or, if Day Count Fraction is specified as "Not Applicable" in the applicable Issue Terms, at such day count fraction as would customarily apply to the calculation of interest on securities denominated in the Specified Currency as selected by the Principal Paying Agent (or other person as specified in the applicable Issue Terms), in the case of Fixed Rate N&C Securities and Floating Rate N&C Securities, or the Calculation Agent, in the case of all other Variable Interest Rate N&C Securities acting in good faith and in a commercially reasonable manner, until whichever is the earlier of:

- (A) the date on which all amounts due in respect of such N&C Security have been paid; and
- (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 notice to that effect has been given to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices).

5.6 Business Day

In these Conditions, "**Business Day**" means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Issue Terms and if TARGET2 is specified, 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; 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 TARGET2 System is open. Unless otherwise provided in the applicable Issue Terms, or as above, the principal financial centre of any currency for the purpose of these Conditions shall be as provided in the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Associations, Inc. and as amended and updated as at the Issue Date of the first Tranche of the N&C Securities (the "**ISDA Definitions**").

5.7 Interest calculations without a day count fraction

If any amount of interest is to be determined and Day Count Fraction is specified as "Not Applicable" in the applicable Issue Terms such amount of interest will be calculated as specified in the applicable Issue Terms and any reference to a Day Count Fraction in this N&C Security Condition 5 will be deemed not to apply.

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5.8 Fixed Income Benchmark

If the applicable Issue Terms specify that a Rate of Interest is to be determined in accordance with this N&C Security Condition 5.8, then, in respect of any relevant Interest Determination Date or Reset Date specified in the applicable Issue Terms for which that Rate of Interest is to be determined, the Rate of Interest will be determined for these purposes only in accordance with this N&C Security Condition 5 (Interest) on the following basis:

- (a) the 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 Issue Terms;
- (b) if Screen Rate Determination applies the Reference Rate will mean the relevant LIBOR or EURIBOR rate as specified under the heading "Fixed Income Benchmark" in the applicable Issue Terms and the Relevant Screen Page will be as specified under the heading "Fixed Income Benchmark" in the applicable Issue Terms;
- (c) if ISDA Determination applies the Floating Rate Option and the Designated Maturity will be deemed to be the relevant option and period respectively specified under the heading "Fixed Income Benchmark" in the applicable Issue Terms;
- (d) if Bank of England Base Rate Determination applies the Designated Maturity and Relevant Screen Page will be deemed to be the relevant period and page respectively specified under the heading "Fixed Income Benchmark" in the applicable Issue Terms;
- (e) each day on which the Rate of Interest is to be determined will be deemed to be a Reset Date;
- (f) each of the Margin, the Minimum Rate of Interest, the Maximum Rate of Interest and the Additional Business Centre, if any, will be the values or centres specified as such under the heading "Fixed Income Benchmark" in the applicable Issue Terms;
- (g) the Calculation Agent will be the party making all Rate of Interest determinations and, where Screen Rate Determination applies, notwithstanding the final paragraph of N&C Security Condition 5.3(B)(ii), if the Calculation Agent is unable to determine the Rate of Interest in accordance with N&C Security Condition 5.3(B)(ii), the Rate of Interest will be determined by the Calculation Agent in good faith and in a commercially reasonable manner as the rate it determines would have prevailed but for the relevant disruption or other event.

5.9 Delay of interest payment

In the event that pursuant to any adjustment or disruption provision in the Conditions any payment of interest would be delayed beyond the Maturity Date payment will be made in such manner as shall be notified to N&C Securityholders in accordance with N&C Security Condition 14 (*Notices*).

6. PAYMENTS

6.1 Payments in respect of Definitive Bearer N&C Securities

(A) *Payments in respect of Definitive Bearer N&C Securities*

Subject as provided below:

- (i) payments in a Specified Currency other than euro or U.S. Dollars will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency;

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- (ii) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and
- (iii) payments will be made in U.S. Dollars by transfer to a U.S. Dollar account maintained by the payee with a bank outside of the United States (which expression, as used in this N&C Security Condition 6, means the United States of America, including the States and the District of Columbia and its possessions), or by cheque drawn on a United States bank. In no event will payment in respect of any Definitive Bearer N&C Security be made by a cheque mailed to an address in the United States. All payments of interest in respect of Definitive Bearer N&C Securities will be made to accounts located outside the United States except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer.

(B) *Payment of Principal and Interest in respect of Definitive Bearer N&C Securities and Coupons*

Payments of principal in respect of Definitive Bearer N&C Securities will (subject as provided below) be made in the manner provided in N&C Security Condition 6.1(A) (*Payments in respect of Definitive Bearer N&C Securities*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer N&C Securities, and payments of interest in respect of Definitive Bearer N&C Securities will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

(C) *Missing Unmatured Coupons*

Fixed Rate N&C Securities in definitive bearer form (other than Long Maturity N&C Securities (as defined below)) should be presented for payment together with all unexpired 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 unexpired Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unexpired Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten (10) years after the Relevant Date (as defined in N&C Security Condition 9 (Prescription)) in respect of such principal (whether or not such Coupon would otherwise have become void under N&C Security Condition 9 (Prescription)) or, if later, five (5) years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

(D) *Unmatured Coupons and Talons void*

Upon any Fixed Rate N&C Security in definitive bearer form becoming due and repayable prior to its Maturity Date, all unexpired 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, unexpired 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 (other than a Fixed Rate 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

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the case may be, the Interest Commencement Date shall be payable only against presentation and surrender of the relevant Definitive Bearer N&C Security.

(E) *Payments of Principal and Interest in respect of Global N&C Securities*

Payments of principal and interest (if any) in respect of N&C Securities represented by any Global N&C Security in bearer form will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer N&C Securities and otherwise in the manner specified in the Definitive Bearer Global N&C Securities against presentation or surrender, as the case may be, of such Global N&C Securities at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global N&C Securities, distinguishing between any payment of principal and any payment of interest, will be made on such Global N&C Securities by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

No payments of principal, interest or other amounts due in respect of a Global N&C Security will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

6.2 Payments in respect of Immobilised Bearer Global N&C Securities

Payments of any amounts owing in respect of the Immobilised Bearer Global N&C Securities (including principal, interest and instalments, if any) will be made by the Issuer in the Settlement Currency to the relevant Paying Agent. The relevant Paying Agent will, in turn, make such payments to the Custodian in its capacity as the bearer of the relevant Immobilised Bearer Global N&C Securities and the amount so received by the Custodian is forwarded by it to the Book-Entry 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, as applicable, which will distribute such payments to participants in accordance with their procedures.

The Issuer, the Principal Paying Agent and the Registrar will treat the bearer of the Immobilised Bearer Global N&C Securities as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Book-Entry 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).

6.3 Payments in respect of Definitive Registered N&C Securities

(A) *Payments of principal in respect of Definitive Registered N&C Securities*

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Definitive Registered N&C Security will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Definitive Registered N&C Security at the specified office of the

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Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account of the holder (or the first named of joint holders) of the Definitive Registered N&C Security appearing in the register of holders of the Definitive Registered N&C Security maintained by the Registrar (the "**Register**") at the close of business on the fifteenth (15th) calendar day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**"). Notwithstanding the previous sentence, if a holder does not have a Designated Account, payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank. For these purposes, "**Designated Account**" means the account maintained by a holder with a designated bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

(B) *Payments of interest in respect of Definitive Registered N&C Securities*

Payments of interest in respect of each Definitive Registered N&C Security, if any, will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Definitive Registered N&C Security appearing in the Register at the close of business on the Record Date at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three (3) business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Definitive Registered N&C Security, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Definitive Registered N&C Securities which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Definitive Registered N&C Security on redemption will be made in the same manner as payment of the principal amount of such Definitive Registered N&C Security.

Holders of Definitive Registered N&C Securities will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Definitive Registered N&C Security as a result of a cheque posted in accordance with this N&C Security Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Definitive Registered N&C Securities.

6.4 General provisions applicable to payments

- (A) The holder of a Global N&C Security shall be the only person entitled to receive payments or to make a claim in respect of N&C Securities represented by such Global N&C Security and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global N&C Security in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg or the relevant clearance system specified in the applicable Issue Terms, as the beneficial holder of a particular nominal amount or number of units of N&C Securities represented by such Global N&C Security must look solely to Euroclear or Clearstream, Luxembourg or the relevant clearance system specified in the applicable Issue Terms, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global N&C Security.
- (B) Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment and (ii) any withholding or deduction required: (a) pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement); and (b) pursuant to Section 871(m) of the Code. Any such amounts withheld or deducted will be treated as paid for all purposes under the N&C Securities, and no additional amounts will be paid on the N&C Securities with respect to any such withholding or deduction.

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

6.5 Place of Payment

Notwithstanding the foregoing provisions of this N&C Security Condition 6, if any amount of principal and/or interest in respect of N&C Securities (other than those in definitive registered form) is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such N&C Securities will be made at the specified office of a Paying Agent in the United States if:

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

Any amount payable in respect of an N&C Security which exceeds the sum subscribed represents an amount payable by the Issuer (i) as consideration for the use of the sum subscribed by the Issuer and (ii) as compensation for and in recognition that in certain circumstances the amount repayable on maturity may be less than the sum subscribed or that the amount paid in excess of the sum subscribed may have been less than the prevailing rate of interest (generally payable by the Issuer) at the time when the N&C Securities were issued.

6.6 Payment Days

Subject to N&C Security Condition 5.3(A) (*Interest Payment Dates*), if the date for payment (the "**Relevant Payment Date**") of any amount in respect of any N&C Security or Coupon is not a Payment Day, the holder thereof will instead be entitled to payment on the relevant day determined in accordance with the relevant Payment Day Convention as set out below and will not be entitled to any further interest or other payment in respect of any delay.

Where:

- (a) the Payment Day Convention is specified as "Following" in the applicable Issue Terms, or where no Payment Day Convention is specified in the applicable Issue Terms, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place;
- (b) the Payment Day Convention is specified as "Modified Following" in the applicable Issue Terms, the holder thereof shall not be entitled to payment until the next day which is a Payment Day unless such day falls in the next calendar month, in which event such holder shall be entitled to payment on the Payment Day immediately preceding the Relevant Payment Date (the "**Adjusted Date for Payment**"); and
- (c) the Payment Day Convention is specified as "Preceding" in the applicable Issue Terms, the holder thereof shall be entitled to payment on the Payment Day immediately preceding the Relevant Payment Date (the "**Adjusted Date for Payment**"),

Provided That, in the event that any day upon which a valuation or determination is required to be made for the purposes of determining the amount of the payment to be made in respect of the Relevant Payment Date (each such date a "**Relevant Valuation Date**") would, as a result of the adjustment anticipated in paragraph (b) or (c) above, fall after the second Business Day preceding the Adjusted Date for Payment, N&C Securityholders will not be entitled to the relevant payment

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due in respect of the Relevant Payment Date until the day falling two (2) Business Days following the last occurring Relevant Valuation Date.

"**Payment Day**" means any day which (subject to N&C Security Condition 9 (Prescription)):

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

6.7 Interpretation of principal

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; and
- (C) the Optional Redemption Amount(s) (if any) of the N&C Securities.

6.8 Rounding Convention

For the purposes of calculations made pursuant to N&C Security Condition 5.2 (Interest on Fixed Rate N&C Securities), N&C Security Condition 5.3 (Interest on Floating Rate N&C Securities and Variable Interest Rate N&C Securities), and N&C Security Condition 7 (Redemption and Purchase) any figure to be rounded will, if other than a sub-unit in the relevant Specified Currency:

- (A) if "Rounded Up" is specified in the applicable Issue Terms, be rounded upwards to the next sub-unit of the relevant Specified Currency,
- (B) if "Rounded Down" is specified in the applicable Issue Terms, be rounded downwards to the next sub-unit of the relevant Specified Currency; or
- (C) in the event that no Rounding Convention is specified in the applicable Issue Terms be rounded down as if "Rounded Down" had been specified,

provided that, in each case, the Calculation Amount in respect of N&C Securities which are (i) held by the same N&C Securityholder, (ii) of the same Series and (iii) in definitive form, shall be aggregated for the purpose of determining the aggregate amount (a) of interest due in respect of any Interest Payment Date or (b) payable in respect of principal due (including for the avoidance of doubt the Final Redemption Amount).

6.9 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.

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7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

- (a) Unless previously redeemed or purchased and cancelled as specified below, each N&C Security will be redeemed by the Issuer at its Final Redemption Amount in the relevant Specified Currency, on the Maturity Date (each as specified in the applicable Final Terms).
- (b) The "**Final Redemption Amount**" in respect of each nominal amount of the N&C Securities equal to the Calculation Amount shall be an amount rounded in accordance with N&C Security Condition 6.8 above in the Specified Currency calculated by the Calculation Agent equal to:

$$\text{Calculation Amount} \times \frac{\text{PreferenceShare Value}_{\text{final}}}{\text{PreferenceShare Value}_{\text{initial}}}$$

Where:

"**Company**" means Abbey National Treasury (Structured Solutions) Limited;

"**Final Reference Date**" means the third Business Day following the Preference Share Valuation Date;

"**Initial Reference Date**" has the meaning specified in the applicable Issue Terms;

"**Preference Shares**" means the series of redeemable preference shares of the Company specified in the applicable Issue Terms;

"**Preference Share Valuation Date**" means:

- (a) the date so specified in the relevant Issue Terms, or,
- (b) if the Preference Shares become subject to redemption due to a related financial product being subject to early redemption, the date scheduled for valuation of the underlying asset(s) or reference basis(es) for the Preference Shares; or
- (c) if any date(s) for valuation of the underlying asset(s) or reference basis(es) (or any part thereof) for the Preference Shares falling on or about such day described in (a) or (b) above, as the case may be, is or is to be delayed in accordance with the terms and conditions of the Preference Shares by reason of a disruption or adjustment event, the Preference Share Valuation Date will be such delayed valuation or determination date(s) (or, if the relevant Preference Shares have more than one underlying asset or reference basis, the last occurring of such delayed valuation or determination date(s) if there is more than one delayed valuation date or delayed determination date),

in each case, as determined by the Calculation Agent;

"**Preference Share Value**" means, in respect of any day, the fair market value per Preference Share at the Valuation Time on that day as determined by the Calculation Agent.

"**Preference Share Value_{final}**" means the Preference Share Value on the Final Reference Date;

"**Preference Share Value_{initial}**" means the Preference Share Value on the Initial Reference Date, and

"**Valuation Time**" means the time specified as such in the Issue Terms,

all as determined by the Calculation Agent.

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7.2 Redemption at the option of the Issuer (Issuer Call)

This N&C Security Condition 7.2 applies to N&C Securities which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons), such option being referred to as an "Issuer Call". The applicable Issue Terms completes provisions applicable to any Issuer Call and must be read in conjunction with this N&C Security Condition 7.2 for full information on any Issuer Call. In particular, the applicable Issue Terms will identify the Optional Preference Share Redemption Valuation Date.

If Issuer Call is specified as being applicable in the applicable Issue Terms, the Issuer may, having given (i) not less than 5 Business Days' notice to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) and (ii) not less than 15 days before the giving of the notice referred to in part (i) of this paragraph, notice to the Principal Paying Agent and, in the case of a redemption of Definitive Registered N&C Securities, the Registrar (which notices will be irrevocable and will specify the date fixed for redemption), redeem all but not some only of the N&C Securities then outstanding on any Optional Redemption Date and at the Optional Redemption Amount.

For the purposes of these Conditions:

"**Optional Redemption Amount**" means an amount rounded in accordance with N&C Security Condition 6.8 above in the Specified Currency calculated by the Calculation Agent on the same basis as the Final Redemption Amount (as defined in Condition 7.1 above) except that, for these purposes, the definition of Preference Share Value_{final} will be the Preference Share Value on the Optional Redemption Valuation Date;

"**Optional Redemption Date(s)**" means the third Business Day following the Optional Redemption Valuation Date;

"**Optional Redemption Valuation Date**" means the third Business Day following the Optional Preference Share Redemption Valuation Date; and

"**Optional Preference Share Redemption Valuation Date**" means the date specified as such in the applicable Issue Terms or, if such date for valuation of or any determination in respect of the underlying asset or reference basis (or any part thereof) for the Preference Shares falling on or about such day is to be delayed in accordance with the terms and conditions of the Preference Shares by reason of a disruption or adjustment event, the Optional Preference Share Redemption Valuation Date shall be such delayed valuation or determination date (or the last occurring such delayed valuation date or determination date, if there is more than one delayed valuation date or delayed determination date), all as determined by the Calculation Agent.

7.3 Redemption for tax reasons

Subject to N&C Security Condition 7.5, the N&C Securities may be redeemed at the option of the Issuer (such option being referred to as an "**Issuer Tax Call**") in whole, but not in part, at any time (if this N&C Security is not a Floating Rate N&C Security or a Variable Interest Rate N&C Security) or on any Interest Payment Date (if this N&C Security is a Floating Rate N&C Security or a Variable Interest Rate N&C Security), on giving not less than 5 Business Days' notice to the Principal Paying Agent and, in accordance with N&C Security Condition 14 (Notices), the N&C Securityholders (which notice will be irrevocable), if:

- (a) on the occasion of the next payment due under the N&C Securities, the Issuer has or will become obliged to account for any present or future taxes, duties, assessments or governmental charges levied or the Guarantor, if making payment itself, would be or would become obliged to account for any present or future taxes, duties, assessments or governmental charges levied; and
- (b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it. Reasonable measures shall not include anything which has any material impact on the business of the Issuer or the Guarantor, as the case may be, or which would cause the Issuer or the Guarantor, as the case may be, to incur any material costs, and

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provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to account for any such taxes, duties, assessments or governmental changes were a payment in respect of the N&C Securities then due.

N&C Securities redeemed pursuant to this N&C Security Condition will be redeemed at their Early Redemption Amount referred to in N&C Security Condition 7.5 below.

7.4 Other early redemption events

(a) *Early redemption of the Preference Shares*

If the Issuer receives a notice from the Company of early redemption of the Preference Shares for any reason other than a related financial product being subject to early redemption, the Issuer will, having given not less than 5 Business Days' notice to N&C Securityholders in accordance with N&C Security Condition 14 (Notices), redeem each N&C Security at its Early Redemption Amount on the Early Redemption Date, each as defined in N&C Security Condition 7.5 below.

(b) *Early redemption for illegality*

In the event that the Calculation Agent determines that the performance of the obligations of the Issuer under the N&C Securities or the obligations of the Guarantor under the Guarantee, or any arrangement made to hedge the Issuer's obligations under the N&C Securities, has or will become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgement, order or directive of any governmental, administrative, legislative or judicial authority or power, or the interpretation thereof, the Issuer will, having given not less than 5 Business Days' notice to N&C Securityholders in accordance with N&C Security Condition 14 (Notices), redeem all, but not some only, of the N&C Securities, each N&C Security being redeemed at its Early Redemption Amount on the Early Redemption Date (each as defined in N&C Security Condition 7.5 below).

(c) *Early redemption following a securities hedging disruption*

If a Securities Hedging Disruption occurs, the Issuer acting in good faith and in a commercially reasonable manner may redeem all, but not some only, of the N&C Securities by giving not less than 5 Business Days' notice to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices). If the N&C Securities are so redeemed the Issuer will redeem each N&C Security at its Early Redemption Amount on the Early Redemption Date, each as defined in N&C Security Condition 7.5 below.

For these purposes,

"Securities Hedging Disruption" means that any Securities Hedging Party is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge any relevant price risk, including but not limited to the currency risk, of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the 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; and

"Securities Hedging Party" means, at any relevant time, the Issuer or any of its Affiliates or any other entity (or entities) providing the Issuer directly or indirectly with hedging arrangements in relation to the N&C Securities as the Issuer may select at such time.

7.5 Early redemption and Early Redemption Amounts

In the event of an early redemption of N&C Securities, each N&C Security shall be redeemed at its Early Redemption Amount on the applicable Early Redemption Date.

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For these purposes:

"Early Preference Share Redemption Valuation Date" means:

- (i) if the N&C Securities become subject to early redemption (i) pursuant to N&C Security Condition 7.3 above, (ii) pursuant to the terms of any applicable Annex to these Conditions, (iii) on receipt by the Issuer of a notice of early redemption of the Preference Shares from the Company (as described in N&C Security Condition 7.4(a) above), (iv) following the occurrence of an illegality (pursuant to N&C Security Condition 7.4(b) above) or (v) following the occurrence of a securities hedging disruption (pursuant to N&C Security Condition 7.4(c) above), the Early Preference Share Redemption Valuation Date specified in the notice of early redemption given by the Issuer (or the Calculation Agent on its behalf) in accordance with N&C Security Condition 14 (Notices); or
- (ii) where the N&C Securities are subject to early redemption under N&C Security Condition 10 below, the 5th Business Day following the date on which the relevant N&C Securityholder's written notice referred to therein is given,

or, in each case, if any date(s) for valuation of or any determination of the underlying asset(s) or reference basis(es) (or any part thereof) for the Preference Shares falling on or about such day is to be delayed in accordance with the terms and conditions of the Preference Shares by reason of a disruption or adjustment event, the relevant Early Preference Share Redemption Valuation Date shall be such delayed valuation or determination date (or, if the relevant Preference Shares have more than one underlying asset or reference basis, the last occurring of such delayed valuation date(s) or determination date(s), if there is more than one delayed valuation date or delayed determination date), all as determined by the Calculation Agent;

"Early Redemption Amount" shall be an amount rounded in accordance with N&C Security Condition 6.8 above in the Specified Currency calculated by the Calculation Agent on the same basis as the Final Redemption Amount (as defined in N&C Security Condition 7.1 above) except that, for these purposes only, the definition of Preference Share Value_{final} shall be the Preference Share Value on the Early Redemption Valuation Date;

"Early Redemption Date" shall be the third Business Day following the Early Redemption Valuation Date; and

"Early Redemption Valuation Date" shall be the third Business Day following the Early Preference Share Redemption Valuation Date.

7.6 Purchases

The Issuer, the Guarantor or any of their respective Affiliates (as defined below) may at any time purchase N&C Securities (provided that, in the case of Definitive Bearer N&C Securities, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise, in accordance with applicable laws and regulations. Such N&C Securities may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent and/or the Registrar for cancellation.

7.7 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 Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All N&C Securities so cancelled and any N&C Securities purchased and cancelled pursuant to N&C Security Condition 7.6 (Purchases) above (together, in the case of Definitive Bearer N&C Securities, with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

7.8 Other Relevant Definitions

For the purposes of the Conditions:

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"**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.

8. TAXATION

All payments of principal and interest, if any, in respect of the N&C Securities and Coupons by or on behalf of the Issuer (or as the case may be, the Guarantor) will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied unless such withholding or deduction is required by law. In such event, the Issuer (or as the case may be, the Guarantor or the relevant Paying Agent) will make such payment after the withholding or deduction of such taxes, duties, assessments or governmental charges has been made, shall account (if required) 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 or Coupons.

9. PRESCRIPTION

The N&C Securities (whether in bearer or registered form) and Coupons will become void unless presented for payment within a period of ten (10) years (in the case of principal) and five (5) years (in the case of interest) after the Relevant Date therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this N&C Security Condition 9 or N&C Security Condition 6.1(D) (*Payment of principal in respect of Definitive Bearer N&C Securities - Unmatured Coupons and Talons void*) or any Talon which would be void pursuant to N&C Security Condition 6.1(D) (*Payment of principal in respect of Definitive Bearer N&C Securities - Unmatured Coupons and Talons void*).

For the purposes of these Conditions, the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices).

10. EVENTS OF DEFAULT

10.1 If (a) any one or more of the following events shall occur and be continuing and (b) the holders of at least twenty-five per cent. (25%) in nominal amount or, in the case of N&C Securities issued in units, of the number of the N&C Securities then outstanding so request, the Issuer by notice (with a copy to the Principal Paying Agent) in relation to the same event given in accordance with N&C Security Condition 14 (Notices), then, upon the date of such notice requirement in (b) above being satisfied or, in the case of an event as described in (ii) below, on expiry of the relevant time period specified therein, the relevant event shall be treated as an "**Event of Default**" and unless (in the case of (i) or (ii) below) the relevant default(s) or failure(s) shall have been cured by the Issuer or the Guarantor prior to receipt of such written notice, all but not some only of the N&C Securities shall become due and repayable at the Early Redemption Amount on the Early Redemption Date, 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 due in respect of the N&C Securities or any of them. The Issuer and Guarantor shall not, however, be in default if such sums were not paid in order to comply with a mandatory law, regulation or order of any court of competent jurisdiction. Where there is doubt as to the validity or applicability of any such law, regulation or order, the Issuer or, as the case may be, the Guarantor will not be in default if it acts on the advice given to it during such 30 day period by an independent legal adviser; or

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- (ii) the Issuer or the Guarantor fails to perform or observe any of its other obligations under the N&C Securities, the Guarantee or the Agency Agreement (as the case may be) and such failure continues for the period of 60 days next following the notice requirement as described in (b) above being satisfied; or
- (iii) an effective resolution is passed or an order is made for the winding-up or dissolution of the Issuer or the Guarantor (except for the purposes of a reconstruction or amalgamation where the entity resulting from such reconstruction or amalgamation assumes all the rights and obligations of, as the case may be, the Issuer (including its obligations under the N&C Securities) or the Guarantor (including its obligations under the Guarantee)).

At any time after such a declaration of acceleration with respect to the N&C Securities has been made and before a judgment or decree for payment of the money due with respect to any N&C Security has been obtained by any 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:

- (1) 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;
 - (B) all other amounts which have become due in respect of the N&C Securities otherwise than by such declaration of acceleration; and
- (2) all Events of Default with respect to the N&C Securities, other than the non-payment of the Early Redemption Amounts which have become due solely by such declaration of acceleration, have been cured or waived by the relevant written resolution or resolution as provided above.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

- 10.2 Any default by the Issuer or the Guarantor, other than the events described in N&C Security Condition 10.1(i) above, may be waived by the written consent of holders of a majority in aggregate principal amount of the N&C Securities then outstanding affected thereby, or by resolution adopted by a majority in aggregate principal amount of such N&C Securities then outstanding present or represented at a meeting of holders of the N&C Securities affected thereby at which a quorum is present, as provided in the Agency Agreement.

11. REPLACEMENT OF N&C SECURITIES, COUPONS AND TALONS

Should any N&C Security or, if applicable, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced, in the case of Definitive Bearer N&C Securities or Coupons, at the specified office of the Principal Paying Agent or, in the case of Definitive Registered N&C Securities, at the specified office of the Registrar (or in any case such other place of which notice shall have been given to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) upon payment in any such case by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced N&C Securities or, if applicable, Coupons or Talons must be surrendered before replacements will be issued.

12. AGENTS

The names of the initial Paying Agents and their initial specified offices are set out in the Agency Agreement. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Issue Terms.

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

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- (A) there will at all times be a Principal Paying Agent and a Registrar; and
- (B) so long as the N&C Securities are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Definitive Bearer N&C Securities) and a Transfer Agent (in the case of Definitive Registered N&C Securities) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in N&C Security Condition 6.5 (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 14 (Notices).

In acting under the Agency Agreement, the Agents act solely as agents or, as the case may be, a registrar of the Issuer and the Guarantor, and do not assume any obligation to, or relationship of agency or trust with, any N&C Securityholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor Agent.

The Issuer undertakes that, it will ensure that it maintains a Paying Agent with a specified office in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to Council Directive 2003/48/EC or any law implementing, or complying with, or introduced in order to conform to, any such Directive, provided that under no circumstances shall the Issuer be obliged to maintain a Paying Agent with a specified office in such Member State unless at least one European Member State does not require a Paying Agent making payments through a specified office in that Member State to so withhold or deduct tax.

The Principal Paying Agent shall have no responsibility for errors or omissions in any calculations and determinations made hereunder, and all such calculations and determinations shall (save in the case of manifest error) be final and binding on the Issuer, the Guarantor, the Paying Agents, the N&C Securityholders and the Couponholders.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the N&C Security to which it appertains) a further Talon, subject to the provisions of N&C Security Condition 9 (Prescription).

14. NOTICES

All notices regarding the N&C Securities will be deemed to be validly given if published in one leading English language daily newspaper of general circulation in London. It is expected that, such publication will be made in the Financial Times in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the N&C Securities are for the time being listed or by which they have been admitted to listing. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner as the Issuer deems appropriate. Any such notice will be deemed to have been given on the date of such notice.

Until such time as any definitive N&C Securities are issued, notice may be given (so long as any Global N&C Securities representing the N&C Securities are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg (and so long as the rules of any stock exchange on which the N&C Securities are listed, or the rules of any other relevant authority by which the N&C Securities have been admitted to listing, permit)) by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (instead of by way of publication or mailing) for communication by them to the holders of the N&C Securities provided that, in addition, for so long as any N&C Securities are listed on a stock exchange or admitted to listing by any other relevant authority and the rules of that stock exchange or other relevant authority so require, such

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notice will be published in a daily newspaper of general circulation in a place or places required by the rules of that stock exchange or other relevant authority. Any such notice shall be deemed to have been given to the holders of the N&C Securities on the day falling such number of days specified in the Issue Terms after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg, as the case may be.

All notices regarding the Definitive Registered N&C Securities will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Definitive Registered N&C Securities are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

In the case of Definitive N&C Securities, notices to be given by any N&C Securityholder shall be in writing and given by lodging the same, together with the relative N&C Security or N&C Securities, with the Principal Paying Agent (in the case of Definitive Bearer N&C Securities) or the Registrar (in the case of Definitive Registered N&C Securities). Whilst any of the N&C Securities are represented by a Global N&C Security, such notice may be given by any holder of a N&C Security to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in writing or by facsimile or electronically or in such other manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. SUBSTITUTION

(a) Substitution of Issuer

The Issuer (or any previously substituted company from time to time) shall, without the consent of the N&C Securityholders, be entitled at any time to substitute for the Issuer any other company (the "**Substitute Issuer**") as principal debtor in respect of all obligations arising from or in connection with the N&C Securities provided that (i) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the N&C Securities represent valid, legally binding and enforceable obligations of the Substitute Issuer have been taken, fulfilled and done and are in full force and effect; (ii) the Substitute Issuer shall have assumed all obligations arising from or in connection with the N&C Securities and shall have become a party to the Agency Agreement, with any consequential amendments; (iii) the obligations of the Substitute Issuer in respect of the N&C Securities shall be unconditionally and irrevocably guaranteed by the Guarantor; (iv) each stock exchange or listing authority on which the N&C Securities are listed shall have confirmed that following the proposed substitution of the Substitute Issuer the N&C Securities would continue to be listed on such stock exchange; and (v) the Issuer shall have given at least 14 calendar days' prior notice of the date of such substitution to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices).

(b) Substitution of Branch

The Issuer shall have the right upon notice to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) to change the branch or office through which it is acting for the purpose of the N&C Securities, the date of such change to be specified in such notice provided that no change can take place prior to the giving of such notice.

16. MEETINGS OF N&C SECURITYHOLDERS AND MODIFICATIONS

The Agency Agreement contains provisions for convening meetings of the N&C Securityholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in Schedule 3 of the Agency Agreement) of a modification of the N&C Securities, the Coupons or any of the provisions of the Agency Agreement or the Guarantee. Such a meeting may be convened by the Issuer or the Guarantor at any time and shall be convened by the Issuer at the request of N&C Securityholders holding not less than five per cent. (5%) in nominal amount or number of units of the N&C Securities for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing in the aggregate not less than fifty per cent. (50%) in nominal amount or number of units of the N&C Securities for the time being outstanding, or at any adjourned such meeting one or more persons being or representing N&C Securityholders whatever the nominal amount or number of units of the N&C

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Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the N&C Securities 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 and Coupons are to be made), the quorum shall be one or more persons holding or representing in the aggregate not less than two-thirds, or, at any adjourned such meeting, one or more persons holding or representing in the aggregate not less than one-third, in nominal amount or number of units of the N&C Securities for the time being outstanding. 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 Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent or sanction of the N&C Securityholders or Couponholders to:

- (A) any modification of (except as mentioned above) the provisions of the N&C Securities, 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 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 and the Couponholders and any such modification shall be notified to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) as soon as practicable thereafter.

17. 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 person 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.

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20. GOVERNING LAW AND JURISDICTION

20.1 Governing law

The Agency Agreement, the N&C Securities Depository Agreement, the Guarantee, the Deed of Covenant, the N&C Securities and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Guarantee, the Deed of Covenant, the N&C Securities 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 Guarantee, the Deed of Covenant, the N&C Securities and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Guarantee, the Deed of Covenant, the N&C Securities and/or the Coupons (a "**Dispute**") and each of the Issuer and the Guarantor submits and (by their acquisition of N&C Securities) each N&C Securityholder 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, each of the Issuer and the Guarantor waives and (by their acquisition of N&C Securities) each N&C Securityholder 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.

Payout Annex

PAYOUT ANNEX

ADDITIONAL TERMS AND CONDITIONS FOR INTEREST PAYOUTS

The terms and conditions applicable to payouts shall comprise the General Terms and Conditions of the N&C Securities (the "N&C Security Conditions") and the additional Terms and Conditions for interest payouts set out below (the "Payout Conditions"), together with any Terms and Conditions as set out in each other Annex which is specified as applicable in the applicable Issue Terms (together with the N&C Security Conditions and the Payout Conditions, the "Conditions") and, in each case subject to completion in the applicable Issue Terms. In particular, certain sections of the Payout Conditions will be set out and completed in the applicable Issue Terms. In the event of any inconsistency between the N&C Security Conditions and the Payout Conditions, the Payout Conditions shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions and/or the Payout Conditions and (ii) the Issue Terms, the Issue Terms 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 section of the Payout Conditions are to such numbered section as set out in this Payout Annex. Defined terms used in this Payout Annex where the same term may be used in another Annex shall have the meanings given in this Payout Annex notwithstanding the same terms being used in another Annex.

1. VARIABLE INTEREST RATE N&C SECURITIES

1.1 Use of Payout Conditions

These Payout Conditions set out the methodology for determining various interest payouts in respect of N&C Securities. The applicable text (including, where appropriate, section headings and on the basis that inapplicable text need not be included) from Payout Condition 2, (derived from the relevant N&C Coupon Payout) and the Product Definitions, as shown below, will be extracted, included and completed in the applicable Issue Terms for each relevant Series of N&C Securities will be set out as indicated in the applicable Issue Terms.

1.2 N&C Security Conditions

N&C Securities using an N&C Coupon Payout will be "**Variable Interest Rate N&C Securities**".

1.3 N&C Security types

The applicable Issue Terms will specify whether a N&C Security is an Equity Linked Interest N&C Security, an Equity Index/ETF Linked Interest N&C Security, an Inflation Index Linked Interest N&C Security, a Property Index Linked Interest N&C Security or a Cross-Asset Linked Interest N&C Security.

1.4 Use of n , t and i

Terms used in these Payout Conditions may be attributed a numerical suffix value when included in the applicable Issue Terms. The suffix can be denoted as " n ", " t " or " i " and the term will be completed on the basis of the number or numbers represented by n , t or i , as chosen at the time of an issue of N&C Securities. For example, if n is 1, $\text{Barrier}_{n=1}$ will appear as "Barrier 1" when set out in the applicable Issue Terms. A term from the Product Definitions may be included in the applicable Issue Terms section more than once if there is more than one number represented by the term n , t or i .

1.5 Definitions and Interpretation

"**N&C Coupon Payout**" means any payout specified in Payout Condition 2, in each case as extracted, included and completed in the applicable Issue Terms.

"**Product Definitions**" means each of the defined terms in Payout Condition 3 below.

References in the Payout Conditions to an N&C Security will be deemed to refer to each unit of N&C Securities or nominal amount of N&C Securities equal to the Calculation Amount unless otherwise stated.

Payout Annex

2. INTEREST BEARING N&C SECURITIES

2.1 Operative paragraph of the Issue Terms

(a) Paragraph 15.1 (Fixed Rate N&C Security Provisions)

Subject to any prior purchase and cancellation or early redemption, the [Rate of Interest applicable to] [amount of interest payable on] each Fixed Rate N&C Security on an Interest Payment Date shall be as set out below:

(b) Paragraph 16.4 (Floating Rate N&C Security Provisions)

Subject to any prior purchase and cancellation or early redemption, the Interest Amount payable in respect of each N&C Security on the relevant Specified Interest Payment Date shall be determined by the Calculation Agent in accordance with the methodology set out below:

(c) Paragraph 17.1 (Other Variable Interest Rate N&C Security Provisions)

Subject to any prior purchase and cancellation or early redemption, the Interest Amount payable in respect of each N&C Security on the relevant Specified Interest Payment Date shall be determined by the Calculation Agent in accordance with the methodology set out below:

2.2 Interest Payment Options

2.2.1 Interest Payment Option 1

Calculation Amount * Rate of Interest

2.2.2 Interest Payment Option 2

(1) If the Barrier Condition is satisfied:

Calculation Amount * Rate of Interest_{n=1}; or

(2) If the Barrier Condition is not satisfied:

Calculation Amount * Rate of Interest_{n=2}

2.2.3 Interest Payment Option 3

(1) If the Barrier Condition is satisfied:

Calculation Amount * Rate of Interest; or

(2) If the Barrier Condition is not satisfied:

zero

3. PRODUCT DEFINITIONS

The Product Definitions below, where incomplete, will be set out and completed in the applicable Issue Terms as described in Payout Condition 1 above. Where a table is referred to, the relevant table will be set out in the section of the applicable Issue Terms referred to in the relevant Product Definition as completed in the applicable Issue Terms. Complete Product Definitions may also be set out in the applicable Issue Terms.

For these purposes:

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"**Asset**" means in relation to the relevant Asset Class, a Single Asset or a constituent of a Basket Asset, in each case as specified or determined as provided in the applicable Issue Terms.

"**Asset Class**" means one or more of Shares, Depositary Receipts, Equity Index(ices), Exchange Traded Funds, Inflation Index(ices), Property Index(ices) or Fixed Income Benchmark(s), as specified in the applicable Issue Terms.

"**Asset Early**" [means the] [Max] [Min] [Asset Level] [on the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date]] [Average Level] [Observation Level] [is as specified in the table in [this] paragraph [●] of these Issue Terms] [,] [Barrier].

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

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

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

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

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

"**Asset Lookback**" [means the] [Asset Level on the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date]] [Average Level] [is as specified in the table in [this] paragraph [●] of these Issue Terms].

"**Average Level**" means the arithmetic average of each [Opening Level] [Closing Level] [Intraday Level] [Observation Level] observed by the Calculation Agent on each Averaging Date.

"**Averaging Date**" means each date specified as such in the applicable Issue Terms.

"**Barrier**" means [[●] per cent.] [n * [●] per cent.] [Asset Initial * [●] per cent.] [Asset Initial * n * [●] per cent.] [Asset Early * [●] per cent.] [Asset Early * n * [●] per cent.] [Asset Lookback * [●] per cent.] [Asset Lookback * n * [●] per cent.].

"**Barrier (Early)**" means:

- (a) where Barrier Condition Early (European) is applicable:

[[●] per cent.] [n * [●] per cent.] [means the percentage ascribed to the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date], as specified in the table in [this] paragraph [●] of these Issue Terms];
or

- (b) where Barrier Condition Early (Bermudan) is applicable:

[[●] per cent.] [n * [●] per cent.]; or

- (c) where Barrier Condition Early (American) is applicable:

[Asset Initial * [●] per cent.] / [Asset Initial * [●] per cent. * n].

"**Barrier (Final)**" means:

- (a) where Barrier Condition Final (European) is applicable, [●] per cent.; or

- (b) where Barrier Condition Final (American) is applicable, Asset Initial * [●] per cent.

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"**Barrier Condition**" shall mean [Barrier Condition Early] [Barrier Condition Final].

"**Barrier Condition Early**" shall mean [Barrier Condition Early (European)] [Barrier Condition Early (Bermudan)] [Barrier Condition Early (American)].

"**Barrier Condition Early (American)**" shall be deemed satisfied if the Calculation Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] [related to the relevant Barrier Early Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is at [all] [the] [any] time[s] greater than [or equal to] Barrier (Early).

"**Barrier Condition Early (Bermudan)**" shall be deemed satisfied if the Calculation Agent determines that on any [Scheduled Observation Date] [Valuation Date] [Calculation Date] [during the Observation Period], Asset Early Performance is greater than [or equal to] Barrier (Early).

"**Barrier Condition Early (European)**" shall be deemed satisfied if the Calculation Agent determines that on [the relevant] [each] [Scheduled Observation Date] [Valuation Date] [Calculation Date], Asset Early Performance is greater than [or equal to] Barrier (Early).

"**Barrier Condition Final**" shall mean [Barrier Condition Final (European)] [Barrier Condition Final (American)].

"**Barrier Condition Final (American)**" shall be deemed satisfied if the Calculation Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is [at] [all] [any] [time[s]] greater than [or equal to] Barrier (Final).

"**Barrier Condition Final (European)**" shall be deemed satisfied if the Calculation Agent determines that on the Final Valuation Date Asset Final Performance is greater than [or equal to] Barrier (Final).

"**Barrier Early Calculation Date**" means [date to be specified] [each Scheduled Observation Date] [Valuation Date] [Calculation Date].

"**Barrier Return**" shall mean an amount determined by the Calculation Agent in accordance with the following methodology:-

- (a) if Asset Final Performance is greater than [or equal to] the Barrier,

[●] per cent.

- (b) if Asset Final Performance is less than [or equal to] the Barrier:

Max [(Cap [+/-] (Participation * Asset Final Performance)), Floor]

"**Basket Asset**" means an Asset that is a constituent of a basket of Assets, as specified or determined as provided in the applicable Issue Terms.

"**Bonus**" means an amount calculated and determined by the Calculation Agent in accordance with the following:

- (a) If the Asset Final Performance is greater than [or equal to] Barrier,

[[●] per cent.] [Min[Max(Floor, (Participation * Asset Final Performance)), Cap]]

- (b) If the Asset Final Performance is less than [or equal to] Barrier,

[●] per cent.

"**Bonus Amount**" shall be determined by the Calculation Agent in respect of each [Scheduled Observation Date] [Valuation Date] [Calculation Date] in accordance with the following formula:

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Bonus Number * [●] per cent.

"**Bonus Condition**" shall be deemed satisfied if the Calculation Agent determines that on each [Scheduled Observation Date] [Valuation Date] [Calculation Date] the Asset Early Performance is greater than [or equal to] the Barrier.

"**Bonus Number**" shall be [the number of times that the Bonus Condition is satisfied during the Observation Period] [the number corresponding to the last [Scheduled Observation Date] [Valuation Date] [Calculation Date] during the Observation Period upon which the Barrier Condition is satisfied] [or, if the Barrier Condition is not satisfied, zero] [number to be specified].

"**Calculation Date**" means [the date(s) specified as such in these Issue Terms] [each Scheduled Trading Day in the Observation Period] [and as further described in the applicable Annex for the relevant Asset].

"**Cap**" means [●] per cent.

"**Closing Level**" means the Closing Level (as defined in the Equity Index/ETF Linked Conditions) of the relevant Asset where the relevant Asset Class is either an Equity Index or Exchange Traded Fund, or the Closing Price (as defined in the Equity Linked Conditions) of the relevant Asset, where the relevant Asset Class is a Share or a Depositary Receipt.

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

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

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

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

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

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

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

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

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

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

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

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

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

$$W * \text{Upside Performance}$$

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

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

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

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

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

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

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

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

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

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

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

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

"**Fixed Income Benchmark**" shall mean the relevant Rate of Interest specified as such in the applicable Issue Terms.

"**Floor**" means [●] per cent.

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"**i**" shall mean the corresponding number related to a defined term within the Conditions as specified in the applicable Issue Terms.

"**Intraday Level**" means the Intraday Level (as defined in the Equity Index/ETF Linked Interest Conditions) of the relevant Asset where the relevant Asset Class is either an Equity Index or Exchange Traded Fund or Intraday Price (as defined in the Equity Linked Interest Conditions) of the relevant Asset, where the relevant Asset Class is a Share or a Depositary Receipt.

"**Knock-out Level**" [means [●] per cent.] [n * [●] per cent.] [Asset Initial * [●] per cent.] [Asset Initial * [●] per cent. * n] [shall mean the level ascribed to the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date], as specified in the table in [this] paragraph [●] of these Issue Terms].

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

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

"**n**" shall mean the corresponding number related to a defined term within the Conditions as specified in the applicable Issue Terms.

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

"**Observation Level**" [shall have the meaning expressed in the applicable Annex for the relevant Asset][means the Rate of Interest determined as provided in N&C Security Condition 5.8 (as defined in the Base Prospectus)].

"**Opening Level**" means the Opening Level (as defined in the Equity Index/ETF Linked Interest Conditions) of the relevant Asset where the relevant Asset Class is either an Equity Index or Exchange Traded Fund or Opening Price (as defined in the Equity Linked Interest Conditions) of the relevant Asset, where the relevant Asset Class is a Share or a Depositary Receipt.

"**Paid Interest**" means, in respect of a N&C Security, the sum of all interest paid in respect of that N&C Security from (and including) the Issue Date to (and including) the immediately preceding Specified Interest Payment Date, if any.

"**Participation**" means [●] per cent.

"**Range Condition**" shall be deemed satisfied in respect of any day if the Asset Level for such day observed by the Calculation Agent is greater than [or equal to] [●] [per cent.] per annum and less than [or equal to] [●] [per cent.] [per annum.]

"**Range Days**" means the actual number of [calendar days] [Business Days] [Scheduled Observation Dates] [Valuation Dates] [Calculation Dates] in the [Interest Period] [Observation Period] on which the Range Condition is satisfied.

"**Rate of Interest**" shall mean in connection with the relevant N&C Coupon Payout specified in these Issue Terms: [*Insert one of:*]

[[●] per cent.] [per annum];

Screen Rate Determination;

ISDA Determination;

Bank of England Base Rate Determination;

(n * [●] per cent.);

[(n * [●] per cent.)] – Paid Interest;

Max(Floor, Min(Cap, Participation * Asset Early [Performance] + [●] per cent.)) [+/- Barrier Return];

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$\left([\bullet] \text{ per cent.} \times \frac{\text{Range Days}}{\text{Observation Days}} \right); \text{ or}$

[the applicable percentage rate specified in the table in [this] paragraph [●] of these Issue Terms].

"**Scheduled Observation Date**" means [the date(s) specified as such in these Issue Terms] [each Scheduled Trading Day in the Observation Period].

"**Single Asset**" means a single Asset, as specified or determined as provided in the applicable Issue Terms.

"**Trigger Condition**" shall mean [Trigger Condition (European)] [Trigger Condition (American)].

"**Trigger Condition (American)**" shall be deemed satisfied if the Calculation Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is [at] [all] [any] [time[s]] greater than [or equal to] the Trigger.

"**Trigger Condition (European)**" shall be deemed satisfied if the Calculation Agent determines that on the Final Valuation Date Asset Final Performance is greater than [or equal to] the Trigger.

"**Trigger**" means:

(a) where Trigger Condition (European) is applicable:

[●] per cent.; or

(b) where Trigger Condition (American) is applicable:

Asset Initial * [●] per cent.

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

$$\frac{\text{Asset Final} - (\text{Barrier} * \text{Asset Initial})}{\text{Asset Initial}}$$

"**Valuation Date**" means [the date(s) specified as such in these Issue Terms] [each Scheduled Trading Day in the Observation Period] [and as further described in the applicable Annex for the relevant Asset].

"**W**" means the weighting in respect of the relevant Basket Asset, as specified in the table in [this] paragraph [●] of these Issue Terms:

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

$$W * \text{Final Performance}$$

Equity Annex

EQUITY ANNEX

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

The terms and conditions applicable to Equity Linked Interest 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 Linked Conditions"), together with any Terms and Conditions as set out in each other Annex which is specified as applicable in the applicable Issue Terms (together with the N&C Security Conditions and the Equity Linked Conditions, the "Conditions") and, subject to completion in the applicable Issue Terms. In the event of any inconsistency between the N&C Security Conditions and the Equity Linked Conditions, the Equity Linked Conditions shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions and/or the Equity Linked Conditions and (ii) the Issue Terms, the Issue Terms 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 Equity Linked Condition are to such numbered section as set out in this Equity Annex. Defined terms used in this Equity Annex or the related section of the Issue Terms where the same term may be used in another Annex (e.g. Valuation Date) shall have the meanings given in this Equity Annex or in the section of the Issue Terms relating to Equity Linked Interest N&C Securities notwithstanding the same terms being used in another Annex or section of the Issue Terms.

1. EQUITY LINKED INTEREST N&C SECURITIES

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

2. DEPOSITARY RECEIPTS

(a) Application of Depositary Receipt provisions

If "Depositary Receipt provisions" are specified as applicable in the applicable Issue Terms, for the purposes of these Equity Linked Conditions in relation to each relevant Depositary Receipt:

- (i) references to "**Share**" or "**Shares**" shall be deemed to include an ordinary share or ordinary shares or other relevant equity securities, as the case may be, of the Share Company or Basket Company to which the relevant Depositary Receipts specified in the applicable Issue Terms relate;
- (ii) references to "**Exchange**" shall, in the context of the ordinary shares or other relevant equity securities of the Share Company or Basket Company, be deemed to be references to the Share Exchange specified in the applicable Issue Terms;
- (iii) references to "**Share Company**" or "**Basket Company**" shall, in the context of a Depositary Receipt, be deemed to include references to the issuer or obligor of the Depositary Receipts;
- (iv) with respect to Depositary Receipts only, the following additional event shall constitute a Potential Adjustment Event for the purposes of Equity Linked Condition 4:

"a distribution in respect of the Shares of property other than cash, shares or rights relating to any Shares to the holder(s) of the Shares;" and
- (v) with respect to Depositary Receipts only, the following events shall constitute Additional Disruption Events for the purposes of Equity Linked Condition 7:
 - (A) a Termination; and
 - (B) an Adjustment Event.

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(b) **Definitions specific to Depositary Receipts**

"**Adjustment Event**" means (a) the terms and conditions of the Depositary Receipts have been altered or any adjustment or modification has been made pursuant to such terms and conditions (in each case whether by the Share Company or Basket Company or any party having influence over such terms and conditions) or the Depositary Receipts are converted into other securities and/or (b) the aggregate amounts (or currency thereof) to which a holder is entitled under the Depositary Receipts are altered.

"**Depositary Receipt**" means a depositary receipt relating to ordinary shares or other relevant equity securities issued by a Share Company or Basket Company, as specified in the applicable Issue Terms, subject to adjustment pursuant to the provisions specified in Equity Linked Conditions 4, 5 and 7.

"**Termination**" means, in relation to an issue of Depositary Receipts, such issue has been terminated, cancelled or otherwise ceased to be outstanding for any reason. This shall include, without limitation, the termination of the deposit agreement in respect of the Shares and/or written instructions being given by the Share Company or Basket Company to the depository of the Shares to withdraw or surrender the Shares.

3. **MARKET DISRUPTION**

"**Market Disruption Event**" means, in relation to N&C Securities relating to a single Share or a basket of Shares or a basket of assets, in respect of a Share, the occurrence or existence of (a) a Trading Disruption, (b) an Exchange Disruption, which in either case the Calculation Agent acting in good faith and in a commercially reasonable manner, determines is material, at any time during the one hour period that for purposes of determining an Opening Price, begins at or, for purposes of determining a Closing Price, Intraday Price or Observation Level ends at the relevant Valuation Time, or (c) an Early Closure.

The Calculation Agent shall give notice as soon as practicable to the N&C Securityholders in accordance with N&C Security Condition 14 (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.

4. **POTENTIAL ADJUSTMENT EVENTS**

"**Potential Adjustment Event**" means any of the following:

- (a) a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event or, if Tender Offer is specified as applying in the applicable Issue Terms, a Tender Offer) or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- (b) a distribution, issue or dividend to existing holders of the relevant Shares of (A) such Shares or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Basket Company or Share Company, as the case may be, equally or proportionately with such payments to holders of such Shares or (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Basket Company or Share Company, as the case may be, as a result of a spin-off or other similar transaction or (D) any other type of securities, rights or certificates or other assets, in any case for payment (in cash or in other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an Extraordinary Dividend (as defined in Equity Linked Condition 8) as determined by the Calculation Agent;
- (d) a call by a Basket Company or Share Company, as the case may be, in respect of relevant Shares that are not fully paid;
- (e) a repurchase by the Basket Company or its subsidiaries or Share Company or its subsidiaries, as the case may be, of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;

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- (f) in respect of a Basket Company or Share Company, as the case may be, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Basket Company or Share Company, as the case may be, pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, certificates, debt instruments or stock rights at a price below their market value as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- (g) any other event having, in the opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the relevant Shares.

Following the declaration by the Basket Company or Share Company, as the case may be, of the terms of any Potential Adjustment Event, the Calculation Agent will, acting in good faith and in a commercially reasonable manner, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares and, if so, will (i) make the corresponding adjustment, if any, to any of the terms of the Conditions and/or the applicable Issue Terms (in each case, only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)) as the Calculation Agent acting in good faith and in a commercially reasonable manner determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and (ii) determine the effective date of that adjustment. In its determinations of the existence and extent of any dilutive or concentrative effect on the theoretical value of the Shares relating to any Potential Adjustment Event, and any related adjustments to the terms of the N&C Securities, the Calculation Agent may take into account any amounts of Local Taxes that would, in the determination of the Calculation Agent, be withheld from or paid or otherwise incurred by an Offshore Investor in connection with such Potential Adjustment Event. The Calculation Agent may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange.

Upon the making of any such adjustment by the Calculation Agent, the Calculation Agent shall give notice as soon as reasonably practicable under the circumstances to (i) the Issuer and the Principal Paying Agent and (ii) the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) stating the adjustment to any of the terms of the Conditions and/or the applicable Issue Terms and giving brief details of the Potential Adjustment Event, *provided that* any failure to give, or non-receipt of, such notice will not affect the validity of the Potential Adjustment Event.

5. EXTRAORDINARY EVENTS

(a) Definitions applicable to Extraordinary Events

As used herein:

"Extraordinary Event" means any of an Additional Extraordinary Event, a De-Listing, an Insolvency, a Merger Event, a Nationalisation, a Tender Offer (provided that a Tender Offer shall only be an Extraordinary Event if specified as applicable in the applicable Issue Terms) and, in the case of N&C Securities relating to a basket of Shares or assets each of a De-Merger and a Participation Event (whether or not such events are Additional Extraordinary Events);

"Additional Extraordinary Event" means any of a De-Merger, a Participation Event or Illiquidity but in each case only if specified as applicable in the applicable Issue Terms;

"De-Listing" means, in respect of any relevant Shares, the relevant Exchange announces that pursuant to the rules of such Exchange, such Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or, if Tender Offer is specified as applying in the applicable Issue Terms, a Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in a member state of the European Union);

"De-Merger" means, in respect of any relevant Shares, that the Basket Company or Share Company, as the case may be, is affected by a de-merger including, without limitation, a spin off, scission or any operation of a similar nature;

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"Illiquidity" means, in respect of any relevant Shares, that, in the determination of the Calculation Agent, during any period of five (5) consecutive Scheduled Trading Days falling after the Issue Date (the "**Relevant Period**"), (a) the difference between the bid prices and the ask prices (as quoted on any Relevant Market) in respect of a Share during the Relevant Period is greater than 1% (on average), and/or (b) the average purchase price or the average selling price, determined by the Calculation Agent from the order book of the relevant Share on the relevant Exchange during the Relevant Period, in relation to the purchase or sale of Shares with a value equal to or greater than EUR 10,000.00 (or its equivalent), is greater than MID plus 1% (in relation to a purchase of Shares) or lower than the MID minus 1% (in relation to a sale of Shares). For these purposes, "**MID**" means an amount equal to (a) the sum of the bid price and the ask price (as quoted on any Relevant Market), in each case for the relevant Share at the relevant time, (b) divided by two;

"Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the Basket Company or Share Company, as the case may be, (i) all the Shares of that Basket Company or Share Company, as the case may be, are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares of that Basket Company or Share Company, as the case may be, become legally prohibited from transferring them;

"Merger Date" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent;

"Merger Event" means, in respect of any relevant Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Basket Company or Share Company, as the case may be, with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares of the Basket Company or Share Company, as the case may be, that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Basket Company or its subsidiaries or the Share Company or its subsidiaries, as the case may be, with or into another entity in which the Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event, in each case if the Merger Date is on or before the last occurring Valuation Date or Scheduled Observation Date or where Averaging is specified in the applicable Issue Terms, the final Averaging Date,;

"Nationalisation" means that all the Shares or all or substantially all the assets of the Basket Company or Share Company, as the case may be, are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof;

"Participation Event" means that a Basket Company takes a stake exceeding 20.00 per cent. of another separate Basket Company comprised within the same basket of Shares or assets;

"Tender Offer" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Basket Company or Share Company, as the case may be, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant; and

"Tender Offer Date" means, in respect of a Tender Offer, the date on which the voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained, as determined by the Calculation Agent.

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(b) **Consequences of an Extraordinary Event**

If any Extraordinary Event occurs in relation to a Share, the Issuer acting in good faith and in a commercially reasonable manner may take the action described in (i) to (iv) below:

- (i) require the Calculation Agent to determine, acting in good faith and in a commercially reasonable manner, the appropriate adjustment, if any, to be made to any one or more of (any of the terms of the Conditions and/or the applicable Issue Terms (in each case, only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)) to account for such Extraordinary Event, as the case may be, and determine the effective date of that adjustment. The relevant adjustments may include, without limitation, adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the N&C Securities, or selecting a replacement share and making any relevant adjustments in relation thereto. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of such Extraordinary Event made by any options exchange to options on the Shares traded on that options exchange and the Calculation Agent may take into account any amounts of Local Taxes that would, in the determination of the Calculation Agent, be withheld from or paid or otherwise incurred by an Offshore Investor in connection with such Extraordinary Event; or
- (ii) on giving not less than 5 Business Days' notice to N&C Securityholders in accordance with N&C Security Condition 14 (Notices) (which notice will 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. Payments will be made in such manner as shall be notified to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices); or
- (iii) following such adjustment to the settlement terms of options on the Shares traded on such exchange(s) or quotation system(s) as the Issuer in its sole discretion shall select (the "**Options Exchange**"), require the Calculation Agent to make a corresponding adjustment to any of the terms of the Conditions and/or the applicable Issue Terms, (in each case, only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)) which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Options Exchange. If options on the Shares are not traded on the Options Exchange, the Calculation Agent will make such adjustment, if any, to any of the terms of the Conditions and/or the applicable Issue Terms (in each case, only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)) as the Calculation Agent acting in good faith and in a commercially reasonable manner determines appropriate, with reference to the rules and precedents (if any) set by the Options Exchange to account for such Extraordinary Event, as the case may be, that in the determination of the Calculation Agent would have given rise to an adjustment by the Options Exchange if such options were so traded; or
- (iv) if the applicable Issue Terms provide that "Share Substitution" is applicable, then on or after the relevant Merger Date, Tender Offer Date, or such other appropriate date (taking into account the Extraordinary Event) as the Calculation Agent may select, require the Calculation Agent to adjust the terms of the Conditions and/or the applicable Issue Terms to include a share selected by the Calculation Agent in accordance with the criteria for share selection set out below (the "**Substitute Shares**") in place of the Share(s) (the "**Affected Share(s)**") which are affected by the relevant Extraordinary Event and the Substitute Shares will be deemed to be "**Shares**" and the relevant issuer of such shares, a "**Share Company**" or a "**Basket Company**" for the purposes of the N&C Securities, and the Calculation Agent will make such adjustment, if any, to any weighting applied to the Substitute Shares, and/or any of the terms of the Conditions and/or the applicable Issue Terms (in each case, only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)) as the

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Calculation Agent acting in good faith and in a commercially reasonable manner determines appropriate and shall determine the effective date (the "**Substitution Date**") for such substitution, provided that in the event that any interest amount payable under the N&C Securities was to be determined by reference to an initial price or value of the Affected Share (the "**Initial Price**"), and unless the Calculation Agent determines this would be inappropriate or impracticable (in which case, the Calculation Agent may select such other methodology as it determines appropriate), the Initial Price of each Substitute Share will be determined by the Calculation Agent in accordance with the following formula;

$$\text{Initial Price} = A \times (B/C)$$

Where:

"A" is the official closing price of the relevant Substitute Share on the relevant Exchange on the Substitution Date;

"B" is the Initial Price of the relevant Affected Share; and

"C" is the official closing price of the relevant Affected Share on the relevant Exchange on the Substitution Date.

Such substitution and the relevant adjustment to the basket of Shares or assets will be deemed to be effective as of the date selected by the Calculation Agent (the "**Substitution Date**") acting in good faith and in a commercially reasonable manner and specified in the notice referred to in the final paragraph of this Equity Linked Condition 5 which may, but need not, be the Merger Date or Tender Offer Date or the date of such Extraordinary Event, as applicable.

Unless the Calculation Agent determines this would be inappropriate (in which case, the Calculation Agent may select such other methodology as it determines appropriate), the weighting of each Substitute Share will be equal to the weighting of the relevant Affected Share.

In order to be selected as a Substitute Share, the relevant share must be a share which, as determined in good faith and in a commercially reasonable manner by the Calculation Agent:

1. is not already comprised in the basket of Shares or assets;
2. the relevant issuer in respect of which belongs to a similar economic sector as the Share Company or Basket Company in respect of the Affected Share; and
3. the relevant issuer in respect of which is of comparable market capitalisation and international standing as the Share Company or Basket Company in respect of the Affected Share ignoring for this purpose the occurrence of the relevant Merger Event, Tender Offer or Extraordinary Event.

Upon the occurrence of an Extraordinary Event, the Issuer shall give notice as soon as practicable to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices), stating the occurrence of the Extraordinary Event giving details thereof and the action proposed to be taken in relation thereto, *provided that* any failure to give, or non-receipt of, such notice will not affect the validity of the Extraordinary Event or the proposed action.

6. CORRECTION OF SHARE PRICE

With the exception of any corrections published after the day which is three (3) Exchange Business Days prior to the last occurring Interest Payment Date, if any, in respect of the N&C Securities, if the price of the relevant Share published on a given day and used or to be used by the Calculation Agent to make any determination under the N&C Securities is subsequently corrected and the correction published by the relevant Exchange within one Settlement Cycle after the original publication, the Calculation Agent may make any adjustments to the Conditions (only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the

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redemption of the N&C Securities)) and/or adjust any subsequent payments of interest (but not, for the avoidance of doubt, any amount payable upon redemption of the N&C Securities) under the N&C Securities, as it may determine appropriate to take into account such correction(s). The price to be used shall be the price of the relevant Share as so corrected. Corrections published after the day which is three (3) Exchange Business Days prior to a due date for payment under the N&C Securities calculated by reference to the price of a Share, will be disregarded by the Calculation Agent for the purposes of determining the relevant amount to be paid.

7. ADDITIONAL DISRUPTION EVENTS

"Additional Disruption Event" means:

- (A) if "Elected Events Only" is specified as applicable in the applicable Issue Terms, any of Analogous Event, Change in Law, Currency Event, Failure to Deliver, Force Majeure Event, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Insolvency Filing, Jurisdiction Event, Loss of Stock Borrow and/or, if applicable pursuant to Equity Linked Condition 2, a Termination or an Adjustment Event but in each case, only to the extent that such events are specified as applying to Equity Linked Interest N&C Securities in the applicable Issue Terms; or
- (B) if "Elected Events Only" is specified not to apply in the applicable Issue Terms, any of Analogous Event, Change in Law, Currency Event, Failure to Deliver, Force Majeure Event, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Insolvency Filing, Jurisdiction Event, Loss of Stock Borrow and/or, if applicable pursuant to Equity Linked Condition 2, a Termination or an Adjustment Event.

Consequences of an Additional Disruption Event

- (a) If an Additional Disruption Event occurs, the Issuer acting in good faith and in a commercially reasonable manner may take the action described in (i), or (ii) below:
 - (i) require the Calculation Agent to determine acting in good faith and in a commercially reasonable manner the appropriate adjustment, if any, to be made to any of the terms of the Conditions and/or the applicable Issue Terms (in each case, only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)) to account for the Additional Disruption Event and determine the effective date of that adjustment. Without limitation, the Calculation Agent may take into account any amounts of Local Taxes that would, in the determination of the Calculation Agent, be withheld from or paid or otherwise incurred by an Offshore Investor in connection with such Additional Disruption Event; or
 - (ii) redeem all, but not some only, of the N&C Securities by giving not less than 5 Business Days' notice to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices). If the N&C Securities are so redeemed the Issuer will pay an amount to each N&C Securityholder in respect of each N&C Security held by him an amount equal to the 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 14 (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 14 (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.

8. DEFINITIONS RELATING TO DIVIDENDS

The following definitions apply in connection with Equity Linked Interest N&C Securities:

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"**Currency Business Day**" means any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre for the relevant currency. In respect of any relevant amount in euro, any day on which the TARGET2 System is open.

"**Dividend Amount**" means, in respect of the relevant Share, the related Dividend Period and the related Dividend Payment Date, the Record Amount, the Ex Amount or the Paid Amount, as specified in the applicable Issue Terms, or included as part of an adjustment pursuant to Equity Linked Condition 4.

"**Dividend Payment Date**" means, in respect of a Dividend Period, each date specified or otherwise determined as provided in the applicable Issue Terms or, if such date is not a Currency Business Day, the next following Currency Business Day. If no such date is specified in the applicable Issue Terms the Dividend Payment Date shall be the Interest Payment Date relating to the Dividend Period.

"**Dividend Period**" means, the First Period or the Second Period, as specified in the applicable Issue Terms, or such other period specified in the applicable Issue Terms. If no Dividend Period is specified in the applicable Issue Terms, the Dividend Period will be the Second Period.

"**Ex Amount**" means, in relation to a Dividend Amount, 100 per cent. of the gross cash dividend per Share declared by the Share Company or Basket Company to holders of record of a Share where the date that the Shares have commenced trading ex-dividend on the Exchange occurs during the relevant Dividend Period.

"**Excess Dividend Amount**" means, in respect of a Dividend Period, the Extraordinary Dividend Record Amount, the Extraordinary Dividend Ex Amount or the Extraordinary Dividend Paid Amount, as specified in the applicable Issue Terms.

"**Extraordinary Dividend**" means an amount per Share specified in the applicable Issue Terms. If no Extraordinary Dividend is specified in the applicable Issue Terms, the characterisation of a dividend or portion thereof as an Extraordinary Dividend shall be determined by the Calculation Agent acting in good faith and in a commercially reasonable manner.

"**Extraordinary Dividend Ex Amount**" means, in relation to an Excess Dividend Amount, 100 per cent. of the Extraordinary Dividend per Share declared by the Share Company or Basket Company to holders of record of a Share where the date that the Shares have commenced trading ex-dividend on the relevant Exchange occurs during the relevant Dividend Period.

"**Extraordinary Dividend Paid Amount**" means, in relation to an Excess Dividend Amount 100 per cent. of the Extraordinary Dividend per Share paid by the Share Company or Basket Company during the relevant Dividend Period to holders of record of a Share.

"**Extraordinary Dividend Record Amount**" means, in relation to an Excess Dividend Amount 100 per cent. of the Extraordinary Dividend per Share declared by the Share Company or Basket Company to holders of record of a Share on any record date occurring during the relevant Dividend Period.

"**First Period**" means each period from, and including one Interest Payment Date to, but excluding, the next following Interest Payment Date, except that (i) the initial Dividend Period will commence on, and include, the Clearance System Business Day that is one Settlement Cycle following the Trade Date and (ii) the final Dividend Period will end on, but exclude the final Interest Payment Date.

"**Paid Amount**" means, in relation to a Dividend Amount, 100 per cent. of the gross cash dividend per Share paid by the Share Company or Basket Company during the relevant Dividend Period to holders of record of a Share.

Any "**gross cash dividend**" shall represent a sum before the withholding or deduction of taxes at the source by or on behalf of any applicable authority having power to tax in respect of such a dividend, and shall exclude any imputation or other credits, refunds or deductions granted by any applicable authority having power to tax in respect of such dividend and any

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taxes, credits, refunds or benefits imposed, withheld, assessed or levied thereon. In addition, "gross cash dividends" shall exclude Extraordinary Dividends and Excess Dividend Amounts, if any.

"Record Amount" means, in relation to a Dividend Amount, 100 per cent. of the gross cash dividend per Share declared by the Share Company or Basket Company to holders of record of a Share on any record date occurring during the relevant Dividend Period.

"Second Period" means each period from, but excluding, one Valuation Date to, and including, the next Valuation Date, except that (i) the initial Dividend Period will commence on, but exclude, the Trade Date and (ii) the final Dividend Period will end on, and include, the final Valuation Date.

9. NON-EURO QUOTED SHARES

In respect of N&C Securities relating to Shares originally quoted, listed and/or dealt as of the Trade Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the Treaty (as defined below) if such shares are at any time after the Trade Date quoted, listed and/or dealt exclusively in euro on the relevant Exchange or, where no Exchange is specified in the applicable Issue Terms, the principal market on which those Shares are traded, then the Calculation Agent may adjust any of the terms of the Conditions and/or the applicable Issue Terms (in each case, only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)) as the Calculation Agent determines acting in good faith and in a commercially reasonable manner to be appropriate to preserve the economic terms of the N&C Securities. The Calculation Agent will make any conversion necessary for purposes of any such adjustment as of the relevant Valuation Time (or such other time as the Calculation Agent determines appropriate) at an appropriate mid-market spot rate of exchange determined by the Calculation Agent prevailing as of such time. No adjustments under this provision will affect the currency denomination of any payment obligation arising out of the N&C Securities.

10. DEFINITIONS

"Analogous Event" means any event analogous to any of the Additional Disruption Events: Change in Law, Currency Event, Failure to Deliver, Force Majeure Event, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow and Loss of Stock Borrow, in each case if such Additional Disruption Event applies all as determined by the Calculation Agent;

"Averaging Date" means each date specified as an Averaging Date in the applicable Issue Terms or, if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent any such day is a Disrupted Day. If any such day is a Disrupted Day, then:

- (a) if **"Omission"** is specified as applying in the applicable Issue Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Settlement Price provided that, if through the operation of this provision no Averaging Date would occur, then the provisions of the definition of "Valuation Date" will apply for purposes of determining the relevant level, price or amount on the final Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day; or
- (b) if **"Postponement"** is specified as applying in the applicable Issue Terms, then the provisions of the definition of "Valuation Date" will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or
- (c) if **"Modified Postponement"** is specified as applying in the applicable Issue Terms then:
 - (i) where the N&C Securities relate to a single share, the Averaging Date shall be the first succeeding Valid Date (as defined below). If the first succeeding Valid Date has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day,

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would have been the final Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that last such consecutive Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level or price for that Averaging Date in accordance with sub-paragraph (a) of the definition of "Valuation Date" below; or

- (ii) where the N&C Securities relate to a basket of Shares or assets the Averaging Date for each Share not affected by the occurrence of a Disrupted Day shall be the originally designated Averaging Date (the "**Scheduled Averaging Date**") and the Averaging Date for each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date (as defined below) in relation to such Share. If the first succeeding Valid Date in relation to such Share has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that last such consecutive Scheduled Trading Day is already an Averaging Date) in respect of such Share, and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with sub-paragraph (b) of the definition of "Valuation Date" below; and
- (iii) for the purposes of these Equity Linked Conditions, "**Valid Date**" means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

"**Basket Company**" means a company whose shares are included in the basket of Shares or assets and "**Basket Companies**" means all such companies;

"**Bloomberg Screen**" shall mean, when used in connection with any designated page, specified in the applicable Issue Terms, the display page so designated on the Bloomberg service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, in all cases for the purpose of displaying comparable rates in succession thereto).

"**Calculation Date**" means each date specified as a Calculation Date in the applicable Issue Terms which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Linked Conditions.

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

- (a) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or
- (b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority),

the Calculation Agent determines acting in good faith and in a commercially reasonable manner that (i) it has become illegal for any Hedging Party to hold, acquire or dispose of any relevant hedging arrangements relating to a relevant Share and/or (ii) any Hedging Party will incur a materially increased cost in performing its obligations in relation to the 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), or (iii) the performance of the Guarantor under the Guarantee has become unlawful.

"**Clearance System**" means, in respect of a Share, the principal domestic clearance systems customarily used for settling trades in that Share.

"**Clearance System Business Day**" means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of a settlement disruption event, would have been) open for acceptance and execution of settlement instructions.

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"**Closing Price**" means, in relation to a Share:

- (a) if the relevant Exchange is the Tokyo Stock Exchange or the Osaka Securities Exchange, the last traded price of such Share for the day quoted by the Exchange, provided however, that if there is a closing special quote on such Shares quoted by the Exchange (*tokubetsu kehaine*), such quote shall be deemed to be the relevant Closing Price;
- (b) if the relevant Exchange is the Italian Stock Exchange, the *Prezzo di Riferimento*, which means the price as published by the Italian Stock Exchange at the close of trading and having the meaning ascribed thereto in the Rules of the Markets organised and managed by the Italian Stock Exchange, as such Rules may be amended by the Borsa Italiana S.p.a. from time to time; or
- (c) in any other case, the official closing price of such Share on the relevant Exchange.

"**Currency Event**" means that, on or after the Trade Date, it has become impracticable, illegal or impossible (a) for the Issuer or any of its Affiliates or a Hedging Party to convert the relevant currency ("**Local Currency**") in which the Shares or any options or futures contracts or other hedging arrangement in relation to the Shares are denominated, into the currency required for settlement of the N&C Securities ("**Settlement Currency**"), or exchange or repatriate any funds in the Local Currency or the Settlement Currency outside of the country in which the Shares or any options or futures contracts in relation to the Shares are traded due to the adoption of, or any change in, any applicable law, rule, regulation, judgment, order, directive or decree of any Government Authority or otherwise, or (b) for the Calculation Agent to determine a rate or (in the determination of the Calculation Agent) a commercially reasonable rate at which the Local Currency can be exchanged for the Settlement Currency for payment under the N&C Securities, all as determined by the Calculation Agent.

"**Disrupted Day**" means any Scheduled Trading Day on which:

- (a) a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session;
- (b) a Market Disruption Event has occurred; or
- (c) where both Exchange Business Day (Cross Asset Basis) and Scheduled Trading Day (Cross Asset Basis) are specified as applicable in the Issue Terms for Equity Linked Interest N&C Securities and Equity Index/ETF Linked Interest N&C Securities, a Disrupted Day occurs under and as defined in the Equity Index/ETF Linked Conditions.

"**Early Closure**" means the closure on any Exchange Business Day of the relevant Exchange(s) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (a) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (b) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time that would apply to the determination of a Closing Price on such Exchange Business Day.

"**Exchange**" means, in relation to a Share, each exchange or quotation system specified as such for such Share in the applicable Issue Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

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

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"Exchange Business Day (All Shares Basis)" means, in respect of a basket of Shares or assets, any Scheduled Trading Day on which each relevant Exchange and each Related Exchange (if any) in respect of all Shares comprised in the basket of Shares or assets is open for trading during its regular trading session, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"Exchange Business Day (Cross Asset Basis)" means, in respect of a basket of assets, any Scheduled Trading Day on which each relevant Exchange and each Related Exchange (if any) in respect of all Shares comprised in the basket of assets is open for trading during its regular trading session (notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time) which is also an Exchange Business Day under and as defined in the Equity Index/ETF Linked Conditions.

"Exchange Business Day (Per Share Basis)" means, in respect of a Share, any Scheduled Trading Day on which the relevant Exchange and each Related Exchange (if any) in respect of such Share is open for trading during its regular trading session, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"Exchange Business Day (Single Share Basis)" means any Scheduled Trading Day on which the relevant Exchange and each Related Exchange (if any) is open for trading during its regular trading session, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"Exchange Disruption" means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (a) to effect transactions in, or obtain market values for, the Shares on the relevant Exchange or (b) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Share on any relevant Related Exchange.

"Final Valuation Date" means the date specified as a Final Valuation Date in the applicable Issue Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Linked Conditions.

"Force Majeure Event" means that on or after the Trade Date, the performance of the Issuer's obligations under the N&C Securities or a Hedging Agreement or the performance of a Hedging Party's obligations under a Hedging Agreement is prevented or materially hindered or delayed due to (a) any act (other than a Market Disruption Event), law, rule, regulation, judgment, order, directive, interpretation, decree or material legislative or administrative interference of any Government Authority or otherwise, or (b) the occurrence of civil war, disruption, military action, unrest, political insurrection, terrorist activity of any kind, riot, public demonstration and/or protest, or any other financial or economic reasons or any other causes or impediments beyond the Issuer's control, or (c) any expropriation, confiscation, requisition, nationalisation or other action taken or threatened by any Government Authority that deprives the Issuer or the Hedging Party and/or any of its Affiliates of all or substantially all of its assets in a relevant or connected jurisdiction.

"Government Authority" means any nation, state or government, any province or other political subdivision thereof, any body, agency or ministry, any taxing, monetary, foreign exchange or other authority, court, tribunal or other instrumentality and any other entity exercising, executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Hedging Agreement" means any transaction that hedges the equity price risk or any other relevant price risk including but not limited to the currency risk of the Issuer issuing and performing its obligations with respect to the N&C Securities.

"Hedging Disruption" means that any Hedging Party is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge any relevant price risk, including but not limited to the currency risk, of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the 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.

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"Hedging Party" means, at any relevant time, the Issuer or any of its Affiliates or any other entity (or entities) providing the Issuer directly or indirectly with hedging arrangements in relation to the N&C Securities as the Issuer may select at such time.

"Hedging Shares" means the number of Shares that the Issuer deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the 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 (or the Guarantor (as appropriate)) 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 Share that is greater than the Initial Stock Loan Rate.

"Initial Stock Loan Rate" means, unless otherwise specified in the applicable Issue Terms, and in respect of a Share, the rate which the Hedging Party would have incurred to borrow such Share in any Relevant Market, as of the Trade Date, as determined by the Calculation Agent.

"Initial Valuation Date" means the date specified as an Initial Valuation Date in the applicable Issue Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Linked Conditions.

"Insolvency Filing" means that a Share Company or Basket Company, as the case may be, institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Share Company or Basket Company shall not be deemed an Insolvency Filing.

"Intraday Price" means the price of a Share observed by the Calculation Agent at any time during the regular trading session hours of the relevant Exchange, without regard to after hours or any other trading outside of the regular trading session hours.

"Jurisdiction Event" means that, on or after the Trade Date, it has become impracticable, illegal or impossible for the Issuer or any of its Affiliates or a Hedging Party to purchase, sell, hold or otherwise deal (or to continue to do so in the future) in the Shares or a options or futures contracts in relation to the Shares in order for the Issuer to perform its obligations under the N&C Securities or in respect of any relevant hedging arrangements in connection with the N&C Securities (including, without limitation, any purchase, sale or entry into or holding of one or more securities positions, currency positions, stock loan transactions, derivatives position or other instruments or arrangements (however described) by the Issuer and/or any of its Affiliates in order to hedge, either individually or on a portfolio basis, the N&C Securities) or the costs of so doing would, as determined in good faith and in a reasonable manner by the Calculation Agent, be materially increased under the restriction or limitation of the existing or future law, rule, regulation, judgment, order, interpretation, directive or decree of any Government Authority or otherwise, all as determined by the Calculation Agent.

"Local Jurisdiction" has the meaning given in the definition of Offshore Investor.

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"**Local Taxes**" shall mean taxes, duties, and similar charges imposed by the taxing authority of the country in which the Basket Company or the Share Company, as the case may be, has been incorporated or in which the relevant Exchange is located.

"**Loss of Stock Borrow**" means that the Hedging Party is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any Share in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

"**Maximum Stock Loan Rate**" means, unless otherwise specified in the applicable Issue Terms, and in respect of a Share, the lowest rate which the Hedging Party, after using commercially reasonable efforts, would have incurred to borrow such Share in any Relevant Market, in an amount equal to the Hedging Shares, as of the Trade Date, as determined by the Calculation Agent.

"**Observation Level**" means any of the following prices, each as specified in the applicable Issue Terms: (a) the lowest Closing Price observed by the Calculation Agent on the Scheduled Observation Dates, (b) the highest Closing Price observed by the Calculation Agent on the Scheduled Observation Dates, or (c) the relevant price of the applicable Share observed by the Calculation Agent as specified in the applicable Issue Terms on the relevant Initial Valuation Date or Scheduled Observation Date at the time specified in the applicable Issue Terms.

"**Observation Period**" means the period specified as the Observation Period in the applicable Issue Terms.

"**Offshore Investor**" shall mean a holder of Shares who is an institutional investor not resident in the country in which the Basket Company or the Share Company, as the case may be, has been incorporated or in which the relevant Exchange is located (the "**Local Jurisdiction**"), for the purposes of the tax laws and regulations of the Local Jurisdiction and, for the avoidance of doubt, whose jurisdiction of residence (i) shall be determined by the Calculation Agent acting in good faith and in a commercially reasonable manner and (ii) may be the jurisdiction of a Hedging Party.

"**Opening Price**" means, in relation to a Share, the official opening price of such relevant Share on the relevant Exchange.

"**Related Exchange**" means, in relation to a Share, each exchange or quotation system on which option contracts or futures contracts relating to such Share are traded, or each exchange or quotation system specified as such for such Share in the applicable Issue Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Share on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where "**All Exchanges**" is specified as the Related Exchange in the applicable Issue Terms, Related Exchange shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Share.

"**Relevant Market**" means, for the purpose of determining any value or other amount pursuant to these Equity Linked Conditions, any relevant quotation system, exchange, dealing system, screen page, over-the-counter derivatives or other market which the Calculation Agent determines appropriate for such purpose and which it may select taking into account hedging arrangements of the Issuer and/or its Affiliates for the N&C Securities.

"**Relevant Time**" means, in relation to a Share, the time specified as such in the applicable Issue Terms.

"**Reuters Screen**" shall mean, when used in connection with any designated page, specified in the applicable Issue Terms, the display page so designated on the Reuters Money Market Rate Services or such other services or service as may be nominated as the information vendor for the purpose of displaying the specific page on that service or such other page as may be replace that page on that service or such other service, in all cases for the purpose of displaying comparable rates in succession thereto.

"**Scheduled Closing Time**" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

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"**Scheduled Observation Date**" means each date specified as a Scheduled Observation Date in the applicable Issue Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Linked Conditions.

"**Scheduled Opening Time**" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday opening time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to any pre-opening or any other trading outside of the regular trading session hours.

"**Scheduled Trading Day**" means (a) in the case of a single Share, Scheduled Trading Day (Single Share Basis) or (b) in the case of a basket of Shares or assets, (i) Scheduled Trading Day (All Shares Basis) or (ii) Scheduled Trading Day (Per Share Basis) or (iii) Scheduled Trading Day (Cross Asset Basis), in each case as specified in the applicable Issue Terms, provided that if, in the case of (b), no such specification is made in the applicable Issue Terms, Scheduled Trading Day (All Shares Basis) shall apply.

"**Scheduled Trading Day (All Shares Basis)**" means, in respect of a basket of Shares or assets, any day on which each Exchange and each Related Exchange (if any) in respect of all Shares comprised in the basket of Shares is scheduled to be open for trading for its regular trading session.

"**Scheduled Trading Day (Cross Asset Basis)**" means, in respect of a basket of assets, any day on which each Exchange and each Related Exchange (if any) in respect of all Shares comprised in the basket of assets is scheduled to be open for trading for its regular trading session which is also a Scheduled Trading Day for the purpose of the Equity Index/ETF Linked Conditions.

"**Scheduled Trading Day (Per Share Basis)**" means, in respect of a Share, any day on which the relevant Exchange and each Related Exchange (if any) in respect of such Share is scheduled to be open for trading for its regular trading session.

"**Scheduled Trading Day (Single Share Basis)**" means any day on which the relevant Exchange and each relevant Related Exchange (if any) is scheduled to be open for trading during its regular trading session.

"**Scheduled Valuation Date**" means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

"**Screen Page**" means the page specified in the applicable Issue Terms, or any successor page or service thereto.

"**Settlement Cycle**" means, in respect of any Share, the period of Clearance System Business Days following a trade in Shares on the Exchange in which settlement will customarily occur according to the rules of such Exchange.

"**Settlement Price**" means, subject as referred to in "Valuation Date" below or "Averaging Date" above, as the case may be, in respect of a Share, an amount equal to the Opening Price, Intraday Price, Closing Price or Observation Level (as specified in the Issue Terms in relation to Settlement Price) quoted on the relevant Exchange for such Share on the relevant Valuation Date, Averaging Date or Scheduled Observation Date, as applicable (or if, in the opinion of the Calculation Agent, any such Opening Price, Intraday Price, Closing Price or Observation Level cannot be so determined and the Valuation Date, Averaging Date or Scheduled Observation Date, as applicable, is not a Disrupted Day, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the fair market buying price at the Valuation Time on the Valuation Date, Averaging Date or Scheduled Observation Date, as applicable, and the fair market selling price at the Valuation Time on the Valuation Date, Averaging Date or Scheduled Observation Date, as applicable, for the Share based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Share or on such other factors as the Calculation Agent shall decide).

"**Shares**" and "**Share**" mean in the case of an issue of N&C Securities relating to a basket of Shares or assets, each share and, in the case of an issue of N&C Securities relating to a single Share, the share, specified in the applicable Issue Terms and related expressions shall be construed accordingly.

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"**Share Company**" means, in the case of an issue of N&C Securities relating to a single Share, the company that has issued such share.

"**Specified Maximum Days of Disruption**" means the lesser of (a) either (i) eight (8) Scheduled Trading Days or (ii) such other number of Scheduled Trading Days specified as such in the applicable Issue Terms and (b) such number of Scheduled Trading Days in the period from (but excluding) the Scheduled Valuation Date or Scheduled Averaging Date, as applicable to (but excluding) the third (3rd) Business Day prior to any due date or scheduled date for any payment under the N&C Securities for which valuation on the relevant Averaging Date or Valuation Date is relevant, all as determined by the Calculation Agent.

"**Stop-Loss Event**" means the price of any Share as quoted on the relevant Exchange for such Share at the relevant time specified in the applicable Issue Terms (or, if none, the Scheduled Closing Time), on any Scheduled Trading Day that is not a Disrupted Day in respect of such Share on or after the Trade Date or, if later the Strike Date, specified in the applicable Issue Terms is less than 5.00 per cent. (the "**Strike Level**"), or (if different) the percentage specified as such in the applicable Issue Terms, of its Strike Price or, if no Strike Price is stipulated in the applicable Issue Terms, the price given as the Benchmark Price for such Share in the applicable Issue Terms, all as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner.

"**Trade Date**" shall have the meaning specified as such in relation to Equity Linked Interest N&C Securities in the applicable Issue Terms.

"**Trading Disruption**" means, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (a) relating to the share or (b) in futures or options contracts relating to such share on any relevant Related Exchange.

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

"**Valuation Date**" means the date specified as such in the applicable Issue Terms and otherwise in accordance with the above provisions or, if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day, then:

- (a) in the case of N&C Securities relating to a single Share, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Settlement Price (including without limitation the conversion of such amount from or into any applicable currency) in accordance with its good faith estimate of the Settlement Price as of the Valuation Time on that the last such consecutive Scheduled Trading Day; or
- (b) in the case of N&C Securities relating to a basket of Shares or assets the Valuation Date for each Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Share affected (each an "**Affected Item**") by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Item unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Item. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Item, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Settlement Price using, in relation to the Affected Item, the level or value as applicable, determined using its good faith estimate of the value for the Affected Item as of the Valuation Time on the last consecutive Scheduled Trading Day.

"**Valuation Time**" means the Relevant Time specified in the applicable Issue Terms or, if no Relevant Time is specified, (i) for purposes of determining an Opening Price, the Scheduled Opening Time or, for purposes of determining a Closing

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Price, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date, Averaging Date or Scheduled Observation Date, as the case may be, in relation to each Share to be valued provided that if the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time and (ii) in all other circumstances, the time at which the relevant Settlement Price is determined.

Equity Index/ETF Annex

EQUITY INDEX/ETF ANNEX

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

The terms and conditions applicable to Equity Index Linked Interest N&C Securities and/or ETF Linked Interest 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/ETF Linked Conditions"), together with the Terms and Conditions as set out in each other Annex which is specified as applicable in the applicable Issue Terms (together with the N&C Security Conditions and the Equity Index/ETF Linked Conditions, the "Conditions") and, subject to completion in the applicable Issue Terms. In the event of any inconsistency between the N&C Security Conditions and the Equity Index/ETF Linked Conditions, the Equity Index/ETF Linked Conditions shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions and/or the Equity Index/ETF Linked Conditions and (ii) the Issue Terms, the Issue Terms 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 Equity Index/ETF Linked Condition are to such numbered section as set out in this Equity Index/ETF Annex. Defined terms used in this Equity Index/ETF Annex or the related section of the Issue Terms where the same term may be used in another Annex (e.g. Valuation Date) shall have the meanings given in this Equity Index/ETF Annex or in the section of the Issue Terms relating to Equity Index/ETF Linked Interest N&C Securities notwithstanding the same terms being used in another Annex or section of the Issue Terms.

1. EQUITY INDEX/ETF LINKED INTEREST N&C SECURITIES

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

2. EXCHANGE TRADED FUNDS

These Equity Index/ETF Conditions will apply to any Exchange Traded Fund or ETF to which the N&C Securities relate as specified in the applicable Issue Terms. For each such Exchange Traded Fund a Related Index will be specified in the applicable Issue Terms. In this case all references to an Index in these Equity Index/ETF Conditions will be deemed to refer to each such Related Index.

3. MARKET DISRUPTION

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

(a) in respect of a Composite Index:

(i) (x) the occurrence or existence, in respect of any Component Security, of:

(A) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that, for purposes of determining an Opening Level, begins at or, for purposes of determining a Closing Level, Intraday Level or Observation Level, ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;

(B) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that, for purposes of determining an Opening Level, begins at or, for purposes of determining a Closing Level, Intraday Level or Observation Level, ends at the

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relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or

- (C) an Early Closure in respect of such Component Security; and
- (y) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20.00 per cent. or more of the level of such Index; or
- (ii) the occurrence or existence, in each case, in respect of futures or options contracts relating to such Index, of: (a) a Trading Disruption; (b) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that, for purposes of determining an Opening Level, begins at or, for purposes of determining a Closing Level, Intraday Level or Observation Level, ends at the Valuation Time in respect of the Related Exchange; or (c) an Early Closure.

For the purposes of determining whether a Market Disruption Event exists in respect of a Component Security at any time, if a Market Disruption Event occurs in respect of such Component Security at that time, then the relevant percentage contribution of that Component Security to the level of such Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that Component Security to (y) the overall level of such Index, in each case using the official opening weightings as published by the Index Sponsor as part of the market "opening data"; and

- (b) in the case of Non-Composite Indices or an ETF Share, the occurrence or existence of (1) at any time during the one hour period that, for purposes of determining an Opening Level, begins at or, for purposes of determining a Closing Level, Intraday Level or Observation Level ends at the relevant Valuation Time (i) a Trading Disruption or (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, or (2) an Early Closure.

For the purposes of determining whether a Market Disruption Event exists at any time, if a Market Disruption Event occurs in respect of a Component Security included in such Index at any time, then the relevant percentage contribution of that Component Security to the level of such Index shall be based on a comparison of (x) the portion of the level of such Index attributable to that Component Security and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event. For the purposes of determining whether a Market Disruption Event in respect of such Index exists at any time, if a Market Disruption Event occurs in respect of a Component Security included in such Index at any time, then the relevant percentage contribution of that Component Security to the level of such Index shall be based on a comparison of (i) the portion of the level of such Index attributable to that Component Security and (ii) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event. The Calculation Agent shall give notice as soon as practicable to the N&C Securityholders in accordance with N&C Security Condition 14 (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.

4. ADJUSTMENTS TO AN INDEX

(a) Successor Index Sponsor Calculates and Reports an Index

If a relevant Index is:

- (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent; or
- (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index,

then in each case that Index (the "**Successor Index**") will be deemed to be the Index.

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(b) **Modification and Cessation of Calculation of an Index**

If, in the determination of the Calculation Agent,

- (i) on or prior to the last Valuation Date or the last Averaging Date or Scheduled Observation Date, the relevant Index Sponsor makes or announces that it will make a material change in the formula for or the method of calculating a relevant Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation, contracts or commodities and other routine events) (an "**Index Modification**"); or
- (ii) the relevant Index Sponsor permanently cancels a relevant Index and no Successor Index exists (an "**Index Cancellation**"); or
- (iii) on any Valuation Date or any Averaging Date or Scheduled Observation Date, the Index Sponsor or (if applicable) the successor sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**" and, together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**");

then the Issuer may take the action in (A), (B) or (C) below:

- (A) require the Calculation Agent to determine if such Index Adjustment Event has a material effect on the N&C Securities and, if so, shall calculate the relevant Index/ETF Level using, in lieu of a published level for that Index or the related ETF, the level for that Index or ETF as at the Valuation Time on that Valuation Date or Averaging Date or Scheduled Observation Date, as the case may be, as determined by the Calculation Agent which in the case of an Index will be determined in accordance with the formula for and method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those Component Securities that comprised that Index immediately prior to that Index Adjustment Event and in the case of an ETF will be determined as the fair market value of the relevant ETF;
- (B) require the Calculation Agent to replace the affected Index/ETF by a new Index/ETF provided that such new index or ETF is (a) representative of the same economic or geographic sector (as the case may be), and (b) to the extent possible, representative of securities/components listed on one or more exchanges of one or more OECD countries and make relevant adjustments to the Conditions to account for such replacement; or
- (C) on giving not less than 5 Business Days' notice to N&C Securityholders in accordance with N&C Security Condition 14 (Notices), redeem all but not some only of the N&C Securities, each N&C Security being redeemed by payment of the Early Redemption Amount.

(c) **Notice**

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

5. CORRECTION OF INDEX OR ETF SHARE PRICE

With the exception of any corrections published after the day which is three (3) Exchange Business Days prior to the last occurring Interest Payment Date, if any, in respect of the N&C Securities if the level of an Index or ETF published on a given day and used or to be used by the Calculation Agent to make any determination under the 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 or ETF Share as so corrected and the Calculation Agent may make any

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relevant adjustment to the Conditions (only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)) or any subsequent payments of interest (but not, for the avoidance of doubt, any amount payable upon redemption of the N&C Securities) under the N&C Securities to account therefor, as the Calculation Agent determines appropriate in good faith and in a commercially reasonable manner.

6. POTENTIAL ADJUSTMENT EVENTS

"Potential Adjustment Event" means in respect of ETF Shares any of the following:

- (a) a subdivision, consolidation or reclassification of relevant ETF Shares (unless resulting in a Merger Event or, if Tender Offer is specified as applying in the applicable Issue Terms, a Tender Offer) or a free distribution or dividend of any such ETF Shares to existing holders by way of bonus, capitalisation or similar issue;
- (b) a distribution, issue or dividend to existing holders of the relevant ETF Shares of (A) such ETF Shares or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the ETF equally or proportionately with such payments to holders of such ETF Shares or (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the ETF, as a result of a spin-off or other similar transaction or (D) any other type of securities, rights or certificates or other assets, in any case for payment (in cash or in other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an Extraordinary Dividend as determined by the Calculation Agent;
- (d) a repurchase by the ETF Issuer or any of its subsidiaries of ETF Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (e) any other event having, in the opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the relevant ETF Shares.

Following the declaration by the ETF Issuer of the terms of any Potential Adjustment Event, the Calculation Agent will, acting in good faith and in a commercially reasonable manner, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the ETF Shares and, if so, will (i) make the corresponding adjustment, if any, to any of the terms of the Conditions and/or the applicable Issue Terms (in each case, only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)) as the Calculation Agent acting in good faith and in a commercially reasonable manner determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant ETF Share) and (ii) determine the effective date of that adjustment. In its determinations of the existence and extent of any dilutive or concentrative effect on the theoretical value of the ETF Shares relating to any Potential Adjustment Event, and any related adjustments to the terms of the N&C Securities, the Calculation Agent may take into account any amounts of Local Taxes that would, in the determination of the Calculation Agent, be withheld from or paid or otherwise incurred by an Offshore Investor in connection with such Potential Adjustment Event. The Calculation Agent may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the ETF Shares traded on that options exchange.

Upon the making of any such adjustment by the Calculation Agent, the Calculation Agent shall give notice as soon as reasonably practicable under the circumstances to (i) the Issuer and the Principal Paying Agent and (ii) the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) stating the adjustment to any of the terms of the Conditions and/or the applicable Issue Terms and giving brief details of the Potential Adjustment Event, provided that any failure to give, or non-receipt of, such notice will not affect the validity of the Potential Adjustment Event.

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7. ADDITIONAL DISRUPTION EVENTS

"Additional Disruption Event" means:

- (A) if "Elected Events Only" is specified in the applicable Issue Terms, any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Loss of Stock Borrow, Merger Event, Tender Offer, Nationalisation, Insolvency, De-Listing and/or ETF Event, but in each case, only to the extent that such events are specified as applying to Equity Index/ETF Linked Interest N&C Securities in the applicable Issue Terms; or
- (B) if "Elected Events Only" is specified not to apply in the applicable Issue Terms, any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Loss of Stock Borrow and/or (where the N&C Securities relate to an Exchange Traded Fund) ETF Event.

Consequences of an Additional Disruption Event

- (a) If an Additional Disruption Event occurs, the Issuer acting in good faith and in a commercially reasonable manner may either:
 - (i) require the Calculation Agent to replace the affected Index or ETF Share by a new Index or ETF Share (as applicable) provided that such new Index or ETF Share (as applicable) is (a) representative of the same economic or geographic sector (as the case may be), and (b) to the extent possible, representative of securities/components listed on one or more exchanges of one or more OECD countries and make relevant adjustments to the Conditions (only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)) to account for such replacement; or
 - (ii) require the Calculation Agent to determine acting in good faith and in a commercially reasonable manner the appropriate adjustment, if any, to be made to any of the terms of the N&C Securities (but only to the extent such terms are relevant to the determination of an interest amount (and not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)) to account for the Additional Disruption Event and determine the effective date of that adjustment; or
 - (iii) redeem all, but not some only, of the N&C Securities by giving not less than 5 Business Days' notice to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices). If the N&C Securities are so redeemed, the Issuer will pay each N&C Securityholder an amount equal to the Early Redemption Amount in respect of each N&C Security held by such N&C Securityholder. Payments will be made in such manner as shall be notified to the N&C Securityholders in accordance with N&C Security Condition 14 (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 14 (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.

8. 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 (or, if applicable, the Guarantor) 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

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maintenance of the Index. Neither the Issuer (or, if applicable, the Guarantor) nor its Affiliates has any affiliation with or control over the Index or Index Sponsor or any control over the computation, composition or dissemination of the Index. Although the Calculation Agent will obtain information concerning the Indices from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer (or, if applicable, the Guarantor), its Affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Index.

9. DEFINITIONS

"**Averaging Date**" means each date specified as an Averaging Date in the applicable Issue Terms or, if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent any such day is a Disrupted Day. If any such day is a Disrupted Day, then:

- (a) if "**Omission**" is specified as applying in the applicable Issue Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Index/ETF Level provided that, if through the operation of this provision no Averaging Date would occur, then the provisions of the definition of "Valuation Date" will apply for purposes of determining the relevant level, price or amount on the final Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day; or
- (b) if "**Postponement**" is specified as applying in the applicable Issue Terms, then the provisions of the definition of "Valuation Date" will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or
- (c) if "**Modified Postponement**" is specified as applying in the applicable Issue Terms then:
 - (i) where the N&C Securities relate to a single Index or ETF, the Averaging Date shall be the first succeeding Valid Date (as defined below). If the first succeeding Valid Date has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether such Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level or price for that Averaging Date in accordance with sub-paragraph (a)(ii) of the definition of "Valuation Date" below;
 - (ii) where the N&C Securities relate to a basket of assets, the Averaging Date for each Index or ETF not affected by the occurrence of a Disrupted Day shall be the originally designated Averaging Date (the "**Scheduled Averaging Date**") and the Averaging Date for each Index or ETF affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date (as defined below) in relation to such Index or ETF. If the first succeeding Valid Date in relation to such Index or ETF has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether such Scheduled Trading Day is already an Averaging Date) in respect of such Index or ETF, and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with sub-paragraph (b)(ii) of the definition of "Valuation Date" below; and
 - (iii) for the purposes of these Terms and Conditions "**Valid Date**" means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

"**Bloomberg Screen**" shall mean, when used in connection with any designated page, specified in the applicable Issue Terms, the display page so designated on the Bloomberg service (or such other page as may replace that page on that

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service, or such other service as may be nominated as the information vendor, in all cases for the purpose of displaying comparable rates in succession thereto).

"Calculation Date" means each date specified as a Calculation Date in the applicable Issue Terms which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index/ETF Linked Conditions.

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

- (a) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or
- (b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority),

the Calculation Agent determines acting in good faith and in a commercially reasonable manner that (i) it has become illegal for any Hedging Party to hold, acquire or dispose of any relevant hedging arrangements relating to a Component Security or the relevant hedge positions relating to an Index or Exchange Traded Fund and/or (ii) any Hedging Party will incur a materially increased cost in performing its obligations in relation to the 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), or (iii) the performance of the Guarantor under the Guarantee has become unlawful.

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

"Clearance System Business Day" means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of a settlement disruption event, would have been) open for acceptance and execution of settlement instructions.

"Closing Level" means, in relation to:

- (a) a Non-Composite Index, an amount equal to the official closing level of the Index as published by the relevant Index Sponsor;
- (b) a Composite Index, the official closing level of such Index as published by the relevant Index Sponsor; or
- (c) in the case of an Exchange Traded Fund, an amount equal to the official closing price of such ETF Share on the relevant Exchange,

in each case as determined by the Calculation Agent.

"Component Security" means each and any component security or asset of any Index.

"Composite Index" means any Index in respect of which the securities comprising such Index are listed, traded or quoted on more than one exchange or quotation system as determined by the Calculation Agent and provided that, notwithstanding this definition, the Calculation Agent may elect to treat an Index as a Non-Composite Index if it determines this is appropriate.

"De-Listing" means, in respect of any relevant ETF Shares, the relevant Exchange announces that pursuant to the rules of such Exchange, such ETF Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or, if Tender Offer is specified as applying in the applicable Issue Terms, a Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in a member state of the European Union).

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"**Disrupted Day**" means any day which is:

- (a) (i) in the case of a Composite Index, any Scheduled Trading Day on which: (A) the Index Sponsor fails to publish the level of the Index; (B) the Related Exchange fails to open for trading during its regular trading session; or (C) a Market Disruption Event has occurred; or
- (ii) in the case of any Non-Composite Index, any Scheduled Trading Day on which: (A) the Exchange or the Related Exchange fails to open for trading during their regular trading session or (B) a Market Disruption Event has occurred; or
- (b) in the case of an ETF, (i) any Scheduled Trading Day on which a Market Disruption Event has occurred, or (ii) a relevant Exchange or any Related Exchange fails to open during its regular trading session; or
- (c) where both Exchange Business Day (Cross Asset Basis) and Scheduled Trading Day (Cross Asset Basis) are specified as applicable in the Issue Terms for Equity Index/ETF Linked Interest N&C Securities and Equity Linked Interest N&C Securities, a Disrupted Day occurs under and as defined in the Equity Linked Conditions.

"**Early Closure**" means:

- (a) in the case of a Composite Index, the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time that would apply to the determination of a Closing Level on such Exchange Business Day; and
- (b) in the case of any Non-Composite Index or ETF, the closure on any Exchange Business Day with respect to such Index of any relevant Exchange(s) relating to Component Securities that comprise 20.00 per cent. or more of the level of such Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time that would apply to the determination of a Closing Level on such Exchange Business Day.

"**ETF**" means (in respect of an ETF Share) an Exchange Traded Fund.

"**ETF Event**" means, in respect of an Exchange Traded Fund and/or the ETF Shares in respect of such Exchange Traded Fund, the occurrence or existence, at any time, in respect of such Exchange Traded Fund or ETF Shares, as the case may be, of any of the following, as determined by the Calculation Agent:

- (a) the Exchange Traded Fund is dissolved or the Exchange Traded Fund or ETF Shares cease to exist;
- (b) any voluntary or involuntary liquidation, bankruptcy, insolvency or analogous proceedings are commenced with respect to the Exchange Traded Fund or a resolution is proposed for the winding up or dissolution of the Exchange Traded Fund;
- (c) the Exchange Traded Fund is reclassified, consolidated, amalgamated or merged with another fund whose investment objective(s), risk profile and/or investment benchmark(s) is or are deemed by the Calculation Agent to be different from the investment objective(s), risk profile and/or benchmark(s) that applied to the Exchange Traded Fund as at the Trade Date, or a resolution or other decision is proposed to effect any such reclassification, consolidation, amalgamation or merger;

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- (d) the Exchange Traded Fund consolidates, amalgamates or merges with any other fund such that the Exchange Traded Fund is not the continuing entity, the Exchange Traded Fund changes its form or a resolution or other decision is proposed to effect any such consolidation, amalgamation, merger or change;
- (e) there is a change or any announcement regarding such change that in the opinion of the Calculation Agent is material in the investment objective(s), investment restrictions, investment process, investment guidelines, risk profile, or investment benchmark(s) of the Exchange Traded Fund (howsoever described, including the underlying type of assets in which the ETF invests), the information about the Exchange Traded Fund disclosed in the Fund Documents, any additional public statement of information concerning the Exchange Traded Fund or any rule, law, regulation, similar guideline or other document governing the activities of the Exchange Traded Fund or a resolution or other decision is proposed to effect any such material change;
- (f) any event occurs which is likely to have a material adverse effect on the solvency or liquidity of the Exchange Traded Fund as well as the value of the ETF Shares, including, but not limited to, any material litigation concerning the Exchange Traded Fund between any holders of the ETF Shares and the Exchange Traded Fund or the Exchange Traded Fund and any Fund Service Provider;
- (g) there is any restriction under the constitution of the Exchange Traded Fund or the law of the jurisdiction in which the Exchange Traded Fund is incorporated that is likely to prevent a Hedging Party subscribing for ETF Shares or as a result of which a Hedging Party is likely to be required to redeem any ETF Shares;
- (h) the activities of the Exchange Traded Fund or any Fund Service Provider are placed under review by its regulators for reasons of wrongdoing, breach of any rule or regulation or similar reason;
- (i) (A) a Fund Service Provider ceases to act in such capacity in relation to the ETF (including by way of Merger Event or Tender Offer) and is not immediately replaced in such capacity by a successor acceptable to the Calculation Agent; and/or (B) any event occurs which causes, or will with the passage of time (in the opinion of the Calculation Agent) cause, the failure of the ETF and/or any Fund Service Provider to meet or maintain any obligation or undertaking under the Fund Documents which failure is reasonably likely to have an adverse impact on the value of the ETF Shares or on the rights or remedies of any investor therein;
- (j) an Exchange announces that pursuant to the rules of such Exchange, ETF Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union);
- (k) the ETF ceases to be an undertaking for collective investments under the legislation of its relevant jurisdiction, provided that on the relevant Issue Date, the ETF was such an undertaking and any such cessation would, in the sole and absolute discretion of the Calculation Agent, have a material adverse effect on any investor in such ETF Shares;
- (l) all the shares or all the assets or substantially all the assets of the Exchange Traded Fund are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof;
- (m) any subscription or redemption orders with respect to the ETF Shares are not executed as described in the Fund Documents;
- (n) any suspension or delay of the calculation or publication of the net asset value of the Exchange Traded Fund or ETF Shares or any failure by any Fund Service Provider to deliver when due any relevant report detailing the net asset value of the Exchange Traded Fund;
- (o) the increase of, or introduction by the Exchange Traded Fund of, charges for dealings in ETF Shares; or

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- (p) changes in the regulatory, tax, accounting and/or another treatment applicable to the Exchange Traded Fund and/or which might reasonably be expected to have an economic, legal or regulatory impact on a holder of ETF Shares.

"**ETF Issuer**" means, in respect of an Exchange Traded Fund, the entity specified in the applicable Issue Terms as the issuer of that Exchange Traded Fund.

"**ETF Share**" means, in respect of an Exchange Traded Fund, the share, unit or other interest or unit of holding in the ETF Issuer (including, without limitation, any debt security) issued to or held by an investor in respect of the relevant Exchange Traded Fund.

"**Exchange**" means:

- (a) in the case of a Composite Index, in respect of each Component Security, the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent, any successor thereto or any substitute exchange or quotation system to which trading in the Component Securities underlying the Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the Component Securities on such temporary substitute exchange or quotation system as on the original Exchange);
- (b) in the case of any Non-Composite Index, the relevant exchange or quotation system specified for such Index in the applicable Issue Terms or if no such exchange or quotation system is specified for such Index in the Issue Terms, the exchange or quotation system on which all or substantially all relevant Component Securities are listed (being for the avoidance of doubt, where any Component Security has more than one listing, the exchange or quotation system used by the relevant Index Sponsor for the purposes of valuing the relevant price of such Component Security) or, in each case, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Component Securities comprising such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity in relation to the Component Securities comprising such Index on such temporary substitute exchange or quotation system as on the original Exchange); and
- (c) in respect of an ETF Share, each exchange or quotation system specified as such for such ETF Share in the applicable Issue Terms or, if none is specified, the principal exchange or quotation system for trading in such ETF Share, as determined by the Calculation Agent, any successor to such Exchange or quotation system or any substitute exchange or quotation system to which trading in the ETF Share has temporarily relocated, provided that the Calculation Agent has determined that there is comparable liquidity relative to such ETF Share on such temporary substitute exchange or quotation system as on the original Exchange.

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

"**Exchange Business Day (All Indices/ETFs Basis)**" means, in respect of a basket of Indices or ETFs or assets any Scheduled Trading Day on which (a) in respect of any Non-Composite Index, each relevant Exchange and each Related Exchange (if any) is open for trading for its regular trading session in respect of all Indices and/or ETFs comprised in the basket, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time and (b) in respect of any Composite Index, (i) the relevant Index Sponsor calculates and publishes the level of such Composite Index and (ii) each Exchange (in respect only of an ETF) and each Related Exchange (if any) in respect of each Composite Index or ETF in the basket, is open for trading during its regular trading session notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"**Exchange Business Day (Cross Asset Basis)**" means, in respect of a basket of assets, any Scheduled Trading Day on which (a) in respect of any Non-Composite Index, each relevant Exchange and each Related Exchange (if any) is open for

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trading for its regular trading session in respect of all Indices and/or ETFs comprised in the basket, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time and (b) in respect of any Composite Index, (i) the relevant Index Sponsor calculates and publishes the level of such Composite Index and (ii) each Exchange (in respect only of an ETF) and each Related Exchange (if any) in respect of each Composite Index or ETF in the basket, is open for trading during its regular trading session (notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time) which, in each case, is also an Exchange Business Day under and as defined in the Equity Linked Conditions.

"Exchange Business Day (Per Index/ETF Basis)" means any Scheduled Trading Day on which: (a) in the case of any Composite Index (i) the Index Sponsor calculates and publishes the level of such Composite Index; and (ii) each Exchange (in respect only of an ETF) and each Related Exchange (if any) in respect of such Composite Index or an ETF is open for trading during its regular trading session, notwithstanding such Exchange or Related Exchange closing prior to its Scheduled Closing Time; and (b) for any other Index, the relevant Exchange and each Related Exchange (if any) in respect of such Index or an ETF is open for trading during its regular trading session, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"Exchange Business Day (Single Index/ETF Basis)" means any Scheduled Trading Day on which (a) in respect of a Non-Composite Index, the relevant Exchange and each relevant Related Exchange (if any) in respect of such Index or an ETF is open for trading during its regular trading session, notwithstanding any such relevant Exchange or relevant Related Exchange closing prior to its Scheduled Closing Time and (b) in respect of a Composite Index (i) the relevant Index Sponsor calculates and publishes the level of such Composite Index and (ii) each Exchange (in respect only of an ETF) and each Related Exchange (if any) in respect of such Composite Index or an ETF, is open for trading during its regular trading session notwithstanding such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"Exchange Disruption" means, with respect to:

- (a) in the case of any Composite Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (A) any Component Security on the Exchange in respect of such Component Security; or (B) in futures or options contracts relating to such Index on the Related Exchange; or
- (b) in the case of any Non-Composite Index or an ETF, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for ETF Shares on the Exchange (or in the case of an Index, on any relevant Exchange(s) relating to Component Securities that comprise 20 per cent. or more of the level of the relevant Index, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index or ETF Shares (as the case may be) on any relevant Related Exchange.

"Exchange Traded Fund" means each fund that is specified in the applicable Issue Terms as an ETF.

"Extraordinary Dividend" means an amount per ETF Share specified in the applicable Issue Terms. If no Extraordinary Dividend is specified in the applicable Issue Terms, the characterisation of a dividend or portion thereof as an Extraordinary Dividend shall be determined by the Calculation Agent acting in good faith and in a commercially reasonable manner.

"Final Valuation Date" means the date specified as the Final Valuation Date in the applicable Issue Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index/ETF Linked Conditions.

"Fund Documents" means, in respect of an Exchange Traded Fund, the constitutive and governing documents of that Exchange Traded Fund, the prospectus or offering document relating to the Exchange Traded Fund and the relevant ETF Shares, and any subscription or other agreements of the Exchange Traded Fund specifying the terms and conditions relating to the Exchange Traded Fund, each as amended from time to time.

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"Fund Service Provider" means, in respect of an Exchange Traded Fund, any person or entity from time to time appointed to provide services, directly or indirectly, in respect of such Exchange Traded Fund, as investment advisor, manager, administrator, operator, management company, depository, custodian, sub-custodian, prime broker, trustee, registrar, domiciliary agent, sponsor, general partner or transfer agent in respect of that Exchange Traded Fund.

"Hedging Disruption" means that any Hedging Party is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge any relevant price risk, including but not limited to the currency risk, of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the 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 Calculation Agent.

"Hedging Party" means, at any relevant time, the Issuer or any Affiliate(s) or any entity (or entities) providing the Issuer directly or indirectly with hedging arrangements in relation to the 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 (or the Guarantor, as appropriate) 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 N&C Security comprised in an Index that is greater than the Initial Stock Loan Rate.

"Index" and **"Indices"** mean, subject to adjustment in accordance with these Equity Index/ETF Linked Conditions, the equity index or equity indices and in relation to an Exchange Traded Fund, each related index or related indices specified in the applicable Issue Terms and related expressions shall be construed accordingly.

"Index/ETF Level" means, in respect of an Index or ETF, the Opening Level, Closing Level, Intraday Level or Observation Level of such Index or ETF, as set out in the applicable Issue Terms provided: (a) in respect of any ETF Shares for which the Exchange is an auction or "open outcry" exchange that has a price as of the Relevant Time at which any trade can be submitted for execution, the relevant level shall be the price per ETF Shares as of the Relevant Time on the relevant day, as reported in the official real time price dissemination mechanism for such Exchange; and (b) in respect of any ETF Shares for which the Exchange is a dealer exchange or dealer quotation system, the relevant level shall be the mid point of the highest bid and lowest ask prices quoted as of the Relevant Time on the relevant day (or the last such prices quoted immediately before the Relevant Time) without regard to quotations that "lock" or "cross" the dealer exchange or dealer quotation system.

"Index Sponsor" means, in relation to an Index, the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to such Index and (b) announces (directly or through an agent) the level of such Index on a regular basis, which as of the Issue Date of the N&C Securities is the index sponsor specified for such Index in the applicable Issue Terms.

"Initial Stock Loan Rate" means, in respect of the relevant Component Security, the rate which the Hedging Party would have incurred to borrow such Component Security on any Relevant Market as of the Trade Date, as determined by the Calculation Agent.

"Initial Valuation Date" means the date specified as the Initial Valuation Date in the applicable Issue Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index/ETF Linked Conditions.

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"Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the ETF (i) all the ETF Shares of that ETF are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the ETF Shares of that ETF become legally prohibited from transferring them.

"Intraday Level" means the level of an Index or ETF Share observed by the Calculation Agent at any time during the regular trading session hours of the relevant Exchange, without regard to after hours or any other trading outside of the regular trading session hours.

"Local Taxes" shall mean taxes, duties and similar charges imposed by the taxing authority of the country in which the ETF Issuer has been incorporated or in which the relevant Exchange is located.

"Loss of Stock Borrow" means that the Hedging Party is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any ETF Shares or Component Securities comprised in an Index in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

"Maximum Stock Loan Rate" means, unless otherwise specified in the applicable Issue Terms, and in respect of the relevant Component Security, the lowest rate which the Hedging Party, after using commercially reasonable efforts, would have incurred to borrow such Component Security in the Relevant Market, in an amount equal to the Hedging Shares, as of the Trade Date, as determined by the Calculation Agent.

"Merger Date" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

"Merger Event" means, in respect of any relevant ETF Shares, any (i) reclassification or change of such ETF Shares that results in a transfer of or an irrevocable commitment to transfer all of such ETF Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a ETF with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such ETF is the continuing entity and which does not result in a reclassification or change of all of such ETF Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding ETF Shares of the ETF that results in a transfer of or an irrevocable commitment to transfer all such ETF Shares (other than such ETF Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the ETF or its sub-funds with or into another entity in which the ETF is the continuing entity and which does not result in a reclassification or change of all such ETF Shares outstanding but results in the outstanding ETF Shares (other than ETF Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding ETF Shares immediately following such event, in each case if the Merger Date is on or before the last occurring Valuation Date or Scheduled Observation Date or where Averaging is specified in the applicable Issue Terms, the final Averaging Date.

"Nationalisation" means that all the ETF Shares or all or substantially all the assets of the ETF are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof;

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

"Observation Level" means any of the following levels, each as specified in the applicable Issue Terms: (a) the lowest Closing Level observed by the Calculation Agent on the Scheduled Observation Dates, (b) the highest Closing Level observed by the Calculation Agent on the Scheduled Observation Dates, or (c) the level of the Index or ETF observed by the Calculation Agent on the relevant Initial Valuation Date or Scheduled Observation Date at the time specified in the applicable Issue Terms.

"Observation Period" means the period specified as the Observation Period in the applicable Issue Terms.

"Offshore Investor" shall mean a holder of ETF Shares who is an institutional investor not resident in the country in which the ETF Issuer has been incorporated or in which the relevant Exchange is located (the "**Local Jurisdiction**"), for

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the purposes of the tax laws and regulations of the Local Jurisdiction and, for the avoidance of doubt, whose jurisdiction of residence (i) shall be determined by the Calculation Agent acting in good faith and in a commercially reasonable manner and (ii) may be the jurisdiction of a Hedging Party.

"**Opening Level**" means, in relation to:

- (a) a Non-Composite Index, an amount equal to the official opening level of the Index as published by the relevant Index Sponsor;
- (b) a Composite Index, the official opening level of such Index as published by the relevant Index Sponsor; or
- (c) in the case of an Exchange Traded Fund, an amount equal to the official opening price of such ETF Share on the relevant Exchange or Related Exchange,

in each case as determined by the Calculation Agent.

"**Related Exchange**" means, in respect of Equity Index/ETF Linked Interest N&C Securities and in relation to an Index and/or ETF, each exchange or quotation system on which option contracts or futures contracts relating to such Index and/or ETF are traded, as determined by the Calculation Agent, or each exchange or quotation system specified as such for such Index and/or ETF in the applicable Issue Terms, any successor to any such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index and/or in the ETF has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index and/or the ETF, as applicable, on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where "**All Exchanges**" is specified as the Related Exchange in the applicable Issue Terms, "**Related Exchange**" shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index and/or such ETF as determined by the Calculation Agent.

"**Related Index**" means, in respect of an ETF, the underlying index to which the ETF relates.

"**Relevant Market**" means, for the purpose of determining any value or other amount pursuant to these Equity Index/ETF Linked Conditions, any relevant quotation system, exchange, dealing system, screen page, over-the-counter derivatives or other market which the Calculation Agent determines appropriate for such purpose and which it may select taking into account hedging arrangements of the Issuer and/or its Affiliates for the N&C Securities.

"**Relevant Time**" shall have the meaning specified in the applicable Issue Terms.

"**Reuters Screen**" shall mean, when used in connection with any designated page, specified in the applicable Issue Terms, the display page so designated on the Reuters Money Market Rate Services or such other services or service as may be nominated as the information vendor for the purpose of displaying the specific page on that service or such other page as may be replace that page on that service or such other service, in all cases for the purpose of displaying comparable rates in succession thereto.

"**Scheduled Closing Time**" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

"**Scheduled Observation Date**" means each date specified as a Scheduled Observation Date in the applicable Issue Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index/ETF Linked Conditions.

"**Scheduled Opening Time**" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled week day 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.

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"Scheduled Trading Day" means (a) in the case of a single Index or ETF, Scheduled Trading Day (Single Index/ETF Basis) or (b) in the case of a basket of Indices or ETFs or assets, (i) Scheduled Trading Day (All Indices/ETFs Basis) or (ii) Scheduled Trading Day (Per Index/ETFs Basis) or (iii) Scheduled Trading Day (Cross Asset Basis), in each case as specified in the applicable Issue Terms, provided that if, in the case of (b), no such specification is made in the applicable Issue Terms, Scheduled Trading Day (All Indices/ETFs Basis) shall apply.

"Scheduled Trading Day (All Indices/ETFs Basis)" means, in respect of a basket of Indices or ETFs or assets any day on which (a) in respect of any Non-Composite Indices, each relevant Exchange and each Related Exchange (if any) in respect of each Index or ETF in the basket is scheduled to be open for trading for its regular trading session, and (b) in respect of any Composite Indices, (i) the relevant Index Sponsor is scheduled to calculate and publish the levels of each Composite Index in the basket and (ii) each Exchange (in respect only of an ETF) and each Related Exchange (if any) in respect of such Composite Indices or an ETF is scheduled to be open for trading during its regular trading session.

"Scheduled Trading Day (Cross Asset Basis)" means, in respect of a basket of assets, any day on which (a) in respect of any Non-Composite Indices, each relevant Exchange and each Related Exchange (if any) in respect of each Index or ETF in the basket is scheduled to be open for trading for its regular trading session, and (b) in respect of any Composite Indices, (i) the relevant Index Sponsor is scheduled to calculate and publish the levels of each Composite Index in the basket and (ii) each Exchange (in respect only of an ETF) and each Related Exchange (if any) in respect of such Composite Indices or an ETF is scheduled to be open for trading during its regular trading session which in each case is also a Scheduled Trading Day under and as defined in the Equity Linked Conditions.

"Scheduled Trading Day (Per Index/ETF Basis)" means (a) in respect of a Non-Composite Index, any day on which the relevant Exchange and each Related Exchange (if any) in respect of such Index or an ETF is scheduled to be open for trading for its regular trading session, and (b) in respect of any Composite Index, any day on which (i) the Index Sponsor is scheduled to calculate and publish the level of such Composite Index; and (ii) each Exchange (in respect only of an ETF) and each Related Exchange (if any) in respect of such Composite Index or an ETF is scheduled to be open for trading for its regular trading session.

"Scheduled Trading Day (Single Index/ETF Basis)" means any day on which (a) in respect of an Index other than a Composite Index, the relevant Exchange and each Related Exchange (if any) is scheduled to be open for trading during its regular trading session, and (b) in respect of a Composite Index (i) the relevant Index Sponsor is scheduled to calculate and publish the level of such Composite Index and (ii) each Exchange (in respect only of an ETF) and each Related Exchange (if any) in respect of such Composite Index or an ETF is scheduled to be open for trading during its regular trading session.

"Scheduled Valuation Date" means any original date that, but for the occurrence of an event issuing a Disrupted Day would have been a Valuation Date.

"Screen Page" means the page specified in the applicable Issue Terms, or any successor page or service thereto.

"Settlement Cycle" means, in respect of any Index or ETF, the period of Clearance System Business Days following a trade in the securities underlying such Index or the ETF on the Exchange in which settlement will customarily occur according to the rules of such Exchange (or, if there are multiple Exchanges in respect of an Index, the longest such period).

"Specified Maximum Days of Disruption" means the lesser of (a) either (i) eight (8) Scheduled Trading Days or (ii) such other number of Scheduled Trading Days specified as such in the applicable Issue Terms and (b) such number of Scheduled Trading Days in the period from (but excluding) the Scheduled Valuation Date or Scheduled Averaging Date, as applicable to (but excluding) the third (3rd) Business Day prior to any due date or scheduled date for any payment under the N&C Securities for which valuation on the relevant Averaging Date or Valuation Date is relevant, all as determined by the Calculation Agent.

"Tender Offer" means, in respect of any ETF Shares, as determined by the Calculation Agent, acting in a commercially reasonable manner, a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the ETF, as

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determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

"Trade Date" means the date specified as such in relation to Equity Index/ETF Linked Interest N&C Securities in the applicable Issue Terms.

"Trading Disruption" means:

- (a) in the case of a Composite Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise: (i) relating to any Component Security on the Exchange in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on the Related Exchange; and
- (b) in the case of a Non-Composite Index or ETF Shares, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (a) relating to the ETF Shares or the Component Securities that comprise 20.00 per cent. or more of the level of such Index on any relevant Exchange(s) or (b) in futures or options contracts relating to such Index or ETF Shares on any relevant Related Exchange.

"Valuation Date" means the date specified as such in the applicable Issue Terms and otherwise in accordance with the above provisions or, if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day, then:

- (a) in the case of N&C Securities relating to a single Index or ETF, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Index/ETF Level by determining the level or price of the Index or ETF Share as of the Valuation Time on the last such consecutive Scheduled Trading Day in accordance with the formula for and method of calculating the Index or ETF Share last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the last such consecutive Scheduled Trading Day of each security or asset comprised in the Index or ETF, as applicable (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security or asset or ETF, as applicable, on the last such consecutive Scheduled Trading Day, its good faith estimate of the value for the relevant security or asset or ETF, as applicable, as of the Valuation Time on that eighth Scheduled Trading Day); or
- (b) in the case of N&C Securities relating to a basket of assets, the Valuation Date for each Index or ETF, not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Index or ETF, affected (each an "**Affected Item**") by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Item unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Item. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Item, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Index/ETF Level using, in relation to the Affected Item, the level or price of that Index or ETF Share as of the Valuation Time on the last such consecutive Scheduled Trading Day in accordance with the formula for and method of calculating that Index or ETF Share last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the last such consecutive Scheduled Trading Day of each security or asset comprised in that Index or ETF, as applicable (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security or asset or ETF, as applicable, on the last such consecutive Scheduled Trading Day, its good faith estimate of the value for the relevant security or asset or ETF, as applicable, as of the Valuation Time on that eighth Scheduled Trading Day).

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"**Valuation Time**" means the Relevant Time specified in the applicable Issue Terms or if not so specified:

- (a) in the case of a Composite Index, in respect of such Index: (i) for the purposes of determining whether a Market Disruption Event has occurred: (A) in respect of any Component Security, for the purposes of determining an Opening Level, the Scheduled Opening Time or, for the purposes of determining a Closing Level, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (B) in respect of any options contracts or futures contracts on the Index, for purposes of determining an Opening Level, the open of trading or, for purposes of determining a Closing Level, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the relevant Index/ETF Level is calculated and published by the Index Sponsor or quoted on the relevant Exchange; and
- (b) in the case of any Non-Composite Index or an ETF, (i) for the purposes of determining an Opening Level, the Scheduled Opening Time or, for the purposes of determining a Closing Level, the Scheduled Closing Time on the Exchange on the relevant date. If the Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time and (ii) in all other circumstances, the time at which the relevant Index/ETF Level is calculated and published by the Index Sponsor or quoted on the relevant Exchange.

Inflation Index Annex

INFLATION INDEX ANNEX

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

The terms and conditions applicable to Inflation Index Linked Interest 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") and 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 Issue Terms (together with the N&C Security Conditions and the Inflation Index Linked Conditions, the "Conditions") and, subject to completion in the applicable Issue Terms. In the event of any inconsistency between the N&C Security Conditions and the Inflation Index Linked Conditions, the Inflation Index Linked Conditions set out below shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions and/or the Inflation Index Linked Conditions and (ii) the Issue Terms, the Issue Terms 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 Issue Terms where the same term may be used in another Annex (e.g. Determination Date, Hedging Party, Final Valuation Date or Averaging Date) shall have the meanings given in this Inflation Index Annex or in the section of the Issue Terms relating to Inflation Index Linked Interest N&C Securities notwithstanding the same terms being used in another Annex or section of the Issue Terms.

1. INFLATION INDEX LINKED INTEREST N&C SECURITIES

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions and subject to these Inflation Index Linked Conditions, each Inflation Index Linked Interest N&C Security will bear interest in the manner specified in the applicable Issue Terms and the Conditions.

2. KEY DATES AND BASKETS

(a) Key Dates

The applicable Issue Terms may specify a number of key dates (each a "**Key Date**") in respect of which an Inflation Index valuation is to be made. For each Key Date the relevant Reference Month, Determination Date(s), Inflation Cut-Off Date and, where applicable, End Date will be specified. The Calculation Agent will apply the provision of these Inflation Index Linked Conditions separately in each case to make the relevant Inflation Index valuation in relation to each Key Date accordingly. Each such Inflation Index level determined will be deemed to be an Observation Level, as specified in the applicable Issue Terms.

(b) Baskets

The applicable Issue Terms may specify that the N&C Securities 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:

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- (i) if "Related Bond" is specified as applicable for such Inflation Index in the relevant Issue Terms, the Calculation Agent shall determine the Substitute Index Level by reference to the corresponding index level determined under the terms and conditions of the relevant Related Bond; or
- (ii) if (I) "Related Bond" is not specified as applicable for such Inflation Index in the relevant Issue Terms, or (II) the Calculation Agent is not able to determine a Substitute Index Level under (i) above, the Calculation Agent shall determine the Substitute Index Level by reference to the following formula:

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

in each case as of such Determination Date,

where:

"Base Level" means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined.

"Latest Level" means, in respect of an Inflation Index, the latest level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor prior to the month in respect of which the Substitute Index Level is being determined.

"Reference Level" means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month in respect of the Latest Level.

The Issuer shall give notice to N&C Securityholders, in accordance with N&C Security Condition 14 (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 Interest 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

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Inflation Index for purposes of the Inflation Index Linked Interest 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 Interest 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 (only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)) to account for this event or (2) on giving not less than 5 Business Days' notice to N&C Securityholders in accordance with N&C Security Condition 14 (Notices) the Issuer shall redeem all, but not some only, of the Inflation Index Linked Interest N&C Securities, each Inflation Index Linked Interest N&C Security being redeemed by payment of the 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 14 (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 Issue Terms, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased, or, if "Related Bond" is not specified as applicable in the applicable Issue Terms, the Calculation Agent shall make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased provided that adjustment will only be made to the interest provisions and the Calculation Agent may not adjust the provisions relating to the redemption of the N&C Security.

(d) **Material Modification Prior to Last Occurring Inflation Cut-Off**

If, on or prior to the last occurring Inflation Cut-Off Date, the Inflation Index Sponsor announces that it will make a material change to the Inflation Index then the Calculation Agent shall make any such adjustments, if "Related Bond" is specified as applicable in the applicable Issue Terms, consistent with adjustments made to the Related Bond, or, if "Related Bond" is not specified as applicable in the applicable Issue Terms, only those adjustments to the Inflation Index necessary for the modified Inflation Index to continue as the Inflation Index.

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(e) **Manifest Error in Publication**

To the extent that it has sufficient time and it is reasonable to do so prior to the relevant Interest Payment 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 Interest 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 14 (Notices) provided that adjustment will only be made to the interest provisions and the Calculation Agent may not adjust the provisions relating to the redemption of the N&C Security.

4. ADDITIONAL DISRUPTION EVENTS

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

- (a) If an Additional Disruption Event occurs, the Issuer acting in good faith and in a commercially reasonable manner may either:
- (i) require the Calculation Agent to determine acting in good faith and in a commercially reasonable manner the appropriate adjustment, if any, to be made to any of the terms of the N&C Securities (only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)) to account for the Additional Disruption Event and determine the effective date of that adjustment; or
 - (ii) redeem all, but not some only, of the N&C Securities by giving not less than 5 Business Days' notice to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices). If the N&C Securities are so redeemed the Issuer will pay each N&C Securityholder the Early Redemption Amount in respect of each N&C Security held by him. Payments will be made in such manner as will be notified to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices).
- (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 14 (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. Neither the Issuer nor the Guarantor shall 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 the Guarantor nor their Affiliates has any affiliation with or control over the Inflation Index or the Inflation Index Sponsor or any control over the computation, composition or dissemination of the Inflation Index. Although the Calculation Agent will obtain information concerning the Inflation Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer, the Guarantor, their Affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Inflation Index.

Inflation Index Annex

6. DEFINITIONS

For the purpose of the Inflation Index Linked Interest N&C Securities:

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

- (a) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or
- (b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority),

the Calculation Agent determines acting in good faith and in a commercially reasonable manner that (i) it has become illegal for any Hedging Party to hold, acquire or dispose of any relevant hedging arrangements in respect of the Inflation Index, and/or (ii) any Hedging Party will incur a materially increased cost in performing its obligations in relation to the 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), or (iii) the performance of the Guarantor under the Guarantee has become unlawful.

"**Delayed Index Level Event**" means, in respect of any Determination Date and an Inflation Index, that the relevant Inflation Index Sponsor fails to publish or announce the level of such Inflation Index (the "**Relevant Level**") in respect of any Reference Month which is to be utilised in any calculation or determination to be made by the Issuer in respect of such Determination Date, at any time on or prior to the Inflation Cut-Off Date.

"**Determination Date**" means each date specified as such in the applicable Issue Terms.

"**End Date**" means each date specified as such in the applicable Issue Terms.

"**Fallback Bond**" means, in respect of an Inflation Index, a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the relevant Inflation Index relates and which pays a coupon or redemption amount which is calculated by reference to such Inflation Index, with a maturity date which falls on (a) the End Date specified in the applicable Issue Terms, (b) the next longest maturity after the End Date if there is no such bond maturing on the End Date, or (c) the next shortest maturity before the End Date if no bond defined in (a) or (b) is selected by the Calculation Agent. If the relevant Inflation Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation-linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Issue Date and, if there is more than one inflation-linked bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds. If the Fallback Bond redeems, the Calculation Agent will select a new Fallback Bond on the same basis, but notwithstanding the immediately prior sentence, selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged).

"**Hedging Disruption**" means that any Hedging Party is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge any relevant price risk, including but not limited to currency risk, of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the 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

Inflation Index Annex

(a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, inflation price risk, foreign exchange risk and interest rate risk) of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the 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 Issue Terms.

"Inflation Index" means each inflation index specified in the applicable Issue Terms and related expressions shall be construed accordingly.

"Inflation Index Sponsor" means, in relation to an Inflation Index, the entity that publishes or announces (directly or through an agent) the level of such Inflation Index which, as of the Issue Date, is the Inflation Index Sponsor specified in the applicable Issue Terms.

"Observation Level" means any of the following levels, each as specified in the applicable Issue Terms: (a) the lowest level of the Inflation Index observed by the Calculation Agent on the Scheduled Observation Dates, (b) the highest level of the Inflation Index observed by the Calculation Agent on the Scheduled Observation Dates, or (c) the level of the Inflation Index observed by the Calculation Agent on the relevant Scheduled Observation Date as specified in the applicable Issue Terms.

"Reference Month" means the calendar month for which the level of the Inflation Index is reported as specified in the applicable Issue Terms, regardless of when this information is published or announced; except that if the period for which the Relevant Level was reported is a period other than a month, the Reference Month shall be the period for which the Relevant Level is reported.

"Related Bond" means, in respect of an Inflation Index, the bond specified as such in the applicable Issue Terms. If the Related Bond specified in the applicable Issue Terms is "Fallback Bond", then, for any Related Bond determination, the Calculation Agent shall use the Fallback Bond. If no bond is specified in the applicable Issue Terms as the Related Bond and "Fallback Bond: Not Applicable" is specified in the applicable Issue Terms, there will be no Related Bond. If a bond is specified as the Related Bond in the applicable Issue Terms and that bond redeems or matures before the End Date (i) unless "Fallback Bond: Not Applicable" is specified in the applicable Issue Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination and (ii) if "Fallback Bond: Not Applicable" is specified in the applicable Issue Terms, there will be no Related Bond.

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

Property Index Annex

PROPERTY INDEX ANNEX

ADDITIONAL TERMS AND CONDITIONS FOR PROPERTY INDEX LINKED INTEREST N&C SECURITIES

The terms and conditions applicable to Property Index Linked Interest 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 "Property Index Linked Conditions") together with the Terms and Conditions as set out in each other Annex which is specified as applicable in the applicable Issue Terms (together with the N&C Security Conditions and the Property Index Linked Conditions, the "Conditions") and subject to completion in the applicable Issue Terms. In the event of any inconsistency between the N&C Security Conditions and the Property Index Linked Conditions, the Property Index Linked Conditions set out below shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions and/or the Property Index Linked Conditions and (ii) the Issue Terms, the Issue Terms 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 Property Index Linked Condition are to such numbered section as set out in this Property Index Annex. Defined terms used in this Property Index Annex or the related section of the Issue Terms where the same term may be used in another Annex (e.g. Index Level, Final Valuation Date or Averaging Date) will have the meanings given in this Property Index Annex or in the section of the Issue Terms relating to Property Index Linked Interest N&C Securities notwithstanding the same terms being used in another Annex or section of the Issue Terms.

1. **PROPERTY INDEX LINKED INTEREST N&C SECURITIES**

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions and subject to these Property Index Linked Conditions, each Property Index Linked Interest N&C Security will bear interest in the manner specified in the applicable Issue Terms and the Conditions.

2. **KEY DATES AND BASKETS**

(a) **Key Dates**

The applicable Issue Terms may specify a number of key dates (each a "**Key Date**") in respect of which a Property Index valuation is to be made. For each Key Date the relevant Cure Period and, where applicable, Publication Date will be specified. The Calculation Agent will apply the provision of these Property Index Linked Conditions separately in each case to make the relevant Property Index valuation in relation to each Key Date accordingly. Each such Property Index level determined will be deemed to be an Observation Level as specified in the applicable Issue Terms.

(b) **Baskets**

The applicable Issue Terms may specify that the N&C Securities relate to a single asset or a basket of assets. These Property Index Linked Conditions will apply to valuation and determinations in relation to each Property Index which forms the single asset or a constituent of the basket of assets referred to above.

3. **PROPERTY INDEX DELAY AND DISRUPTION PROVISIONS**

(a) **Rebasing of the Property Index**

If the Calculation Agent determines that a Property Index has been or will be Rebased at any time (the Property Index as so Rebased, the "**Rebased Index**"), the Rebased Index will be used for the purposes of determining the level of the Property Index from the date of such Rebasing, provided however that the Calculation Agent will adjust the terms of the N&C Securities (but only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)) so that the use of the Rebased Index reflects what would have been the performance of the Property Index had

Property Index Annex

the Rebasing not occurred save that any such Rebasing will not affect any prior payments or valuations (if any) under the N&C Securities.

(b) **Error in Publication**

If the Calculation Agent determines that an Error in Publication has occurred with respect to the Property Index, the Calculation Agent may, to the extent that it has sufficient time and it is reasonable to do so, (a) use the corrected level of the Property Index to make any relevant calculations and/or (b) make any necessary adjustments to the relevant Index Level and such other terms of the N&C Securities (but only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)) as it in good faith and in a commercially reasonable manner determines to be appropriate to account for such Error in Publication.

For these purposes:

An "**Error in Publication**" will occur if the Property Index Sponsor announces that an error has occurred with respect to the Index Level as published on any Publication Date; the Index Level for such Publication Date is corrected to remedy such error; and the correction is published by the Property Index Sponsor at any time prior to the last occurring Interest Payment Date in respect of the N&C Securities. An Error in Publication will not include a routine revision in the level of the Property Index in a regularly scheduled republication of the Property Index, such a scheduled republication not being relevant for the purposes of these Property Index Linked Conditions.

(c) **Delay in Publication**

If any relevant Index Level has not been announced by the second Business Day preceding the date on which any amount calculated in whole or in part by reference to such Index Level falls to be due and payable pursuant to the N&C Securities (a "**Property Index Linked Payment Date**") then such amount will not be payable on such Property Index Linked Payment Date and the following will apply:

- (i) if a Cure Period is specified as Applicable in the applicable Issue Terms, then:
 - (1) if the Property Index Sponsor publishes the relevant Index Level within the Cure Period, such Property Index Linked Payment Date will be deferred until the second Business Day following the date of publication of the relevant Index Level and all relevant amounts will be calculated by reference to such Index Level;
 - (2) if the Property Index Sponsor publishes a Provisional Index Level within the Cure Period, then such Property Index Linked Payment Date will be deferred until the second Business Day following the end of the Cure Period and (unless (i) above then applies) such Provisional Index Level of the Property Index will apply for the purposes of the N&C Securities and all relevant amounts will be calculated by reference to such Provisional Index Level; or
 - (3) if the Property Index Sponsor fails to publish either the Index Level or a Provisional Index Level prior to the end of the Cure Period, a Delayed Publication Disruption Event will occur and Property Index Linked Condition 3(e) below will apply; or
- (ii) if Cure Period is specified as Not Applicable in the applicable Issue Terms, then:
 - (1) if the Property Index Sponsor publishes a Provisional Index Level prior to the second Business Day preceding the Property Index Linked Payment Date, such Provisional Index Level will apply for the purposes of the N&C Securities and all relevant amounts will be calculated by reference to such Provisional Index Level; or

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- (2) if the Property Index Sponsor fails to publish a Provisional Index Level prior to the second Business Day preceding the Property Index Linked Payment Date, a Delayed Publication Disruption Event will occur and Property Index Linked Condition 3(e) below will apply.

No additional interest will accrue as a result of a deferral of any Property Index Linked Payment Date.

The Calculation Agent will give notice to N&C Securityholders as soon as practicable in accordance with N&C Security Condition 14 (Notices) of (i) a delay in publication pursuant to this Property Index Linked Condition 3(c) and (ii) any amounts that are payable to such N&C Securityholders as a result of the delayed publication of the Index Level pursuant to Property Index Linked Condition 3(c)(i) or (ii) above.

For these purposes:

"**Cure Period**" means, in respect of any Property Index Linked Payment Date, the period, if any, specified as such in the applicable Issue Terms.

(d) **Methodology Adjustment and Index Discontinuance**

If the Property Index Sponsor announces that it has changed the methodology in calculating a Property Index and:

- (a) nonetheless continues the publication of an index based on the original methodology (such Property Index, a "**Replacement Property Index**") such Replacement Property Index will apply in lieu of the original Property Index in relation to the N&C Securities; or
- (b) discontinues publication of the Property Index based on the original methodology (an "**Index Discontinuance**"), Property Index Linked Condition 3(e) below will apply.

(e) **Index Disruption Procedure**

Following the occurrence of an Index Disruption Event, the Issuer will, acting in good faith and in a commercially reasonable manner, determine whether or not the N&C Securities will continue or be cancelled.

If the Issuer determines that the N&C Securities will continue, the Calculation Agent may make such adjustment to the terms of the N&C Securities which it considers, acting in good faith and in a commercially reasonable manner, to be appropriate in order to preserve for the N&C Securityholders the economic value of the N&C Securities (but only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)). Without limitation this may include (i) selecting a replacement Property Index (such Property Index, a "**Replacement Property Index**") and, following the selection of such, determining the appropriate level for such Replacement Property Index and the date on which such Replacement Property Index will take effect in relation to the N&C Securities or (ii) adjusting any method for determination or calculating interest payments under the N&C Securities. If the Issuer determines that the N&C Securities will be cancelled it will redeem all, but not some only of the N&C Securities by giving not less than 5 Business Days' notice to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices). If the N&C Securities are so redeemed the Issuer will pay each N&C Securityholder the Early Redemption Amount in respect of each N&C Security held by such N&C Securityholder. Payments will be made in such manner as will be notified to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices).

4. NOTICE

In the event that the provisions of Property Index Linked Conditions 3(a), 3(b), 3(c), 3(d) and/or 3(e) above apply in respect of the N&C Securities, the Issuer will give notice to N&C Securityholders as soon as practicable in accordance with N&C Security Condition 14 (Notices) of the occurrence of the relevant event and the action proposed in relation thereto.

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5. ADDITIONAL DISRUPTION EVENT

"**Additional Disruption Event**" means any of Change in Law, Hedging Disruption and/or Increased Cost of Hedging, in each case if specified as applying to Property Index Linked Interest N&C Securities in the applicable Issue Terms.

- (a) If an Additional Disruption Event occurs, the Issuer acting in good faith and in a commercially reasonable manner may either:
 - (i) require the Calculation Agent to determine acting in good faith and in a commercially reasonable manner the appropriate adjustment, if any, to be made to any of the terms of the N&C Securities to account for the Additional Disruption Event and determine the effective date of that adjustment (but only to the extent such terms are relevant to the determination of an interest amount (but not, for the avoidance of doubt, any terms relating to the redemption of the N&C Securities)); or
 - (ii) redeem all, but not some only, of the N&C Securities by giving not less than 5 Business Days' notice to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices). If the N&C Securities are so redeemed the Issuer will pay each N&C Securityholder the Early Redemption Amount in respect of each N&C Security held by him. Payments will be made in such manner as will be notified to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices).
- (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 14 (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.

6. INDEX DISCLAIMER

The N&C Securities are not sponsored, endorsed, sold or promoted by any Property Index or any Property Index Sponsor and no Property Index Sponsor makes any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Property Index and/or the levels at which the Property Index stands at any particular time on any particular date or otherwise. No Property Index or Property Index Sponsor will be liable (whether in negligence or otherwise) to any person for any error in the Property Index and the Property Index Sponsor is under no obligation to advise any person of any error therein. No Property Index Sponsor is making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the N&C Securities. The Issuer (or, if applicable, the Guarantor) will have no liability to the N&C Securityholders for any act or failure to act by the Property Index Sponsor in connection with the calculation, adjustment or maintenance of the Property Index. Neither the Issuer (or, if applicable, the Guarantor) nor its Affiliates has any affiliation with or control over the Property Index or Property Index Sponsor or any control over the computation, composition or dissemination of the Property Index. Although the Calculation Agent will obtain information concerning any Property Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer (or, if applicable, the Guarantor), its Affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Property Index.

7. INTERPRETATION

The following expressions have the meanings set out below:

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

- (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or
- (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority),

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the Calculation Agent determines acting in good faith and in a commercially reasonable manner that (i) it has become illegal for any Hedging Party to hold, acquire or dispose of any relevant hedging arrangements relating to a Property Index, and/or (ii) any Hedging Party will incur a materially increased cost in performing its obligations in relation to the 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), or (iii) the performance of the Guarantor under the Guarantee has become unlawful;

"Data Pool" means the pool of properties underlying a Property Index;

"Delayed Publication Disruption Event" means either of the events described in Property Index Linked Condition 3(c)(i)(3) and 3(c)(ii)(2);

"Hedging Disruption" means that any Hedging Party is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge any relevant price risk, including but not limited to the currency risk, of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the 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 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;

"Increased Cost of Hedging" means that any Hedging Party would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, property index price risk, foreign exchange risk and interest rate risk) of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the 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 will not be deemed an Increased Cost of Hedging;

"Index Disruption Event" means any of the following events:

- (a) a Delayed Publication Disruption Event; and/or
- (b) an Index Discontinuance;

"Index Level" means, with respect to a period or a date, the final level of the relevant Property Index for such period or date, as the case may be, as published by the Property Index Sponsor;

"Observation Level" means any of the following levels, each as specified in the applicable Issue Terms:- (a) the lowest level of the Property Index observed by the Calculation Agent on the Scheduled Observation Dates, (b) the highest level of the Property Index observed by the Calculation Agent on the Scheduled Observation Dates or (c) the level of the Property Index observed by the Calculation Agent on the relevant Scheduled Observation Date as specified in the applicable Issue Terms and, in each case, where specified in the applicable Issue Terms, such level will be in respect of the Reference Period.

"Publication Date" means, in respect of a Property Index, each date on which such Property Index is published, where applicable, in respect of the specified Reference Period, by the Property Index Sponsor;

"Property Index" means (i) each index specified as such in the applicable Issue Terms, or (ii) any Replacement Property Index;

Property Index Annex

"**Property Index Sponsor**" means the entity that publishes the level of the relevant Property Index as specified in the applicable Issue Terms;

"**Provisional Index Level**" means, with respect to a period or a date, any provisional level of the relevant Property Index for such period or date, as the case may be, as published and howsoever defined by the Property Index Sponsor;

"**Rebasing**" means the revaluation of a Property Index by the Property Index Sponsor by the application of a new Reference Price, without amendment to the formula for or the method of calculating the Property Index, and "**Rebased**" will be construed accordingly;

"**Reference Period**" means the period specified as such in the applicable Issue Terms;

"**Reference Price**" means the historic value of the Data Pool used by the Property Index Sponsor as the benchmark for a Property Index; and

"**Replacement Property Index**" means any Property Index determined as such pursuant to Property Index Linked Conditions 3(d) and 3(e) above.

Form of Final Terms for Non-exempt N&C Securities

APPLICABLE FINAL TERMS

FORM OF FINAL TERMS FOR NON EXEMPT N&C SECURITIES

Set out below is the form of Final Terms which will be completed for each Tranche of Non-Exempt N&C Securities issued under the Programme pursuant to this Base Prospectus.

PLEASE CAREFULLY READ THE RISK FACTORS IN THE BASE PROSPECTUS

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN FINANCIAL AND LEGAL ADVISORS ABOUT THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE N&C SECURITIES AND THE SUITABILITY OF AN INVESTMENT IN THE N&C SECURITIES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES

[Date]

Abbey National Treasury Services plc

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

Guaranteed by Santander UK plc

under the
Structured Note and Certificate Programme
(the "**Programme**")

Any person making or intending to make an offer of the N&C Securities may only do so[

- (i) in those Non-exempt Offer Jurisdictions mentioned in Paragraph 9.5 of Part B below, provided such person is a Dealer or Authorised Offeror (as such term is defined in the Base Prospectus) and that the offer is made during the Offer Period specified in that paragraph and that any conditions relevant to the use of the Base Prospectus are complied with; or
- (ii) otherwise,⁴ in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of N&C Securities in any other circumstances.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the relevant Member State of the European Economic Area.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions of the N&C Securities (the "**N&C Security Conditions**" and, together with the applicable Annex(es), the "**Conditions**") set forth in the Base Prospectus dated 30 November 2015 [and the supplement[s] to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"). This document constitutes the Final Terms of the N&C Securities described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the N&C Securities is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the websites of the Irish Stock Exchange (www.ise.ie), the Central Bank of Ireland (<http://www.centralbank.ie>) and the Issuer's website (<http://www.santander.co.uk>). [The Base Prospectus is also available for viewing during normal business hours at the specified office

⁴ Delete where not applicable.

Form of Final Terms for Non-exempt N&C Securities

of Citibank, N.A., London Branch acting as Principal Paying Agent and copies may be obtained from the registered office of the Issuer and the Guarantor.] In the event of any inconsistency between the Conditions and the Final Terms, these Final Terms prevail. [A summary of the N&C Securities (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms.]⁵

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 U.S. Commodity Exchange Act, as amended (the "**CEA**"), and trading in the N&C Securities has not been approved by the U.S. Commodity Futures Trading Commission (the "**CFTC**") pursuant to the CEA, and no U.S. Person may at any time trade or maintain a position in the N&C Securities. For a description of the restrictions on offers and sales of N&C Securities, see "*Important Notice to Purchasers and Transferees of N&C Securities*" and "*Subscription and Sale*" in the Base Prospectus.

For the purposes of these Final Terms, "U.S. Person" means (i) a "U.S. person" as defined in Regulation S under the Securities Act ("**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**"), (iii) a person other than a "Non-United States person" as defined in CFTC Rule 4.7, or (iv) a "United States person" as defined in the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder, in each case, as such definition may be amended, modified or supplemented from time to time (each such person, a "**U.S. Person**").

[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 Final Terms.]

[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 for it based upon its own judgement and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer, the Guarantor or any Dealer as investment advice or as a recommendation to invest in the N&C Securities, it being understood that information and explanations related to the terms and conditions of the N&C Securities shall not be considered to be investment advice or a recommendation to invest in the N&C Securities. No communication (written or oral) received from the Issuer, the Guarantor or any Dealer shall be deemed to be an assurance or guarantee as to the expected results of the investment in the N&C Securities.*
- (b) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and conditions and the risks of the investment in the N&C Securities. It is also capable of assuming, and assumes, the risks of the investment in the N&C Securities.*
- (c) **Status of Parties.** None of the Issuer, the Guarantor and any Dealer is acting as fiduciary for or adviser to it in respect of the investment in the N&C Securities.]*

1.	1.1	Issuer:	Abbey National Treasury Services plc
	1.2	Guarantor:	Santander UK plc
2.	2.1	Type of N&C Security:	[Note] / [Certificate]
	2.2	Series Number:	[]

⁵ Include this wording if the minimum denomination is less than €100,000 (or its equivalent in another currency).

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- 2.3 Tranche Number: []
- 2.4 [Date on which the N&C Securities will be consolidated and form a single Series: The N&C Securities will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Bearer Global N&C Security for interests in the Permanent Bearer Global N&C Security, as referred to in paragraph 26 below, which is expected to occur on or about [*insert date*]][Not Applicable]]
- 2.5 Trading Method: [Nominal] / [Unit]
- 2.6 Applicable Annex(es): [Not Applicable] / [Payout] / [Equity] / [Equity Index/ETF] / [Inflation Index] / [Property Index]
- (N.B. more than one Annex may apply)*
3. Specified Currency: []
- (NB: the Specified Currency must be the same as the currency of the Preference Shares)*
4. [Aggregate Nominal Amount] / [Aggregate Issue Size]:
- 4.1 Series: []⁶
- 4.2 Tranche: []⁷
- 4.3 Nominal Amount per Unit: For calculation purposes only, each Unit shall be deemed to have a nominal amount of [].
- (Each N&C Security must have a minimum Nominal Amount per Unit of €1,000 (or, if the N&C Securities are denominated in a currency other than euro, the equivalent in such currency. If N&C Securities are not traded by unit, delete this item))*⁸
5. [5.1] [Issue Price] / [Unit Issue Price] for Tranche:⁹ [100 per cent. of the Aggregate Nominal Amount] / [] [*Insert currency*] per Unit (the "**Issue Price**") [plus accrued interest from and including [*insert date*] to but excluding the Issue Date (which is equal to [] days' accrued interest) (*in the case of fungible issues, if applicable*)]
- [The aggregate Offer Prices (as specified in paragraph 10.1 of Part B to these Final Terms) received by the [Initial] Authorised Offeror in respect of the N&C Securities which shall be payable by the Dealer to the Issuer prior to the Issue Date]
- The Issue Price specified [in/at [paragraph []]/above] may be more than the market value of the N&C Securities as at the

⁶ For N&C Securities issued by Unit, "Aggregate Issue Size" should be specified and expressed as a number of Units.

⁷ For N&C Securities issued by Unit, "Aggregate Issue Size" should be specified and expressed as a number of Units.

⁸ For N&C Securities issued by Unit only.

⁹ 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 be the same as the "Offer Price" (see Part B paragraph 10). Both the "Issue Price" and the "Offer Price" should be par (i.e. 100 per cent.).

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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 describe the overall proceeds received by the Issuer in connection with the issue of the N&C Securities expressed as a percentage of the Aggregate Nominal Amount. In addition to the purchase price received from the Dealer, the Issuer may receive up front payment(s) under the hedging arrangements for the N&C Securities and secondary market prices may exclude such amounts. [See further Part B, item 10.10 below.]

To the extent permitted by applicable law, if any fees relating to the issue and sale of the N&C Securities have been paid or are payable by the Dealer to an intermediary (which may or may not have acted as an Authorised Offeror) (an "**Intermediary**"), then such Intermediary may be obliged to fully disclose to its clients the existence, nature and amount of any such fees (including, if applicable, by way of discount) as required in accordance with laws and regulations applicable to such Intermediary, including any legislation, regulation and/or rule implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC), or as otherwise may apply in any non-EEA jurisdictions.

Investors in the N&C Securities intending to invest in N&C Securities through an Intermediary (including by way of introducing broker) should request details of any such fee payment from such Intermediary before making any purchase thereof.

[5.2] Unit Value on Issue: [[Insert currency] per Unit]

Investors should note that the value of a Unit in the secondary market or on redemption may be less than the Unit Value on Issue

(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)*¹⁰

6. [6.1] Specified Denominations: []

(N.B. The minimum denomination of each N&C Security will be €1,000 (or, if the N&C Securities are denominated in a currency other than euro, the equivalent in such currency))

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

[[€100,000] and integral multiples of [€1,000] in excess thereof

¹⁰

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

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up to and including [€199,000]. No N&C Securities in definitive form will be issued with a denomination exceeding [€199,000].¹¹

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

[6.2 Minimum Tradable Size: [[€100,000]¹² [[] Units and in multiples of [] Unit[s] (the "Multiple Tradeable Size") in excess thereof.]¹³

6.3 Calculation Amount per N&C Security: []

(If only one Specified Denomination, insert the Specified Denomination.

If more than one Specified Denomination, insert the highest common factor. N.B. There must be a common factor in the case of two or more Specified Denominations.

Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in practical difficulties for paying agents and/or ICSDs who should be consulted if such an amount is proposed.)

7. 7.1 Issue Date: [*specify date*]

(NB. The Preference Shares should be issued before such date)

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

8. Type of N&C Security: [Fixed Rate N&C Security]
[Floating Rate N&C Security]
[Cross-Asset Linked Interest N&C Security:
(specify each relevant Type as follows)]
[Equity Linked Interest N&C Security]
[Equity Index/ETF Interest Linked N&C Security]
[Inflation Index Linked Interest N&C Security]
[Property Index Linked Interest N&C Security]

(Specify all N&C Security types which apply)

9. Maturity Date: The third Business Day following the Final Reference Date which is scheduled to be [●] (the "**Scheduled Maturity Date**")

10. Interest Basis: [[] per cent. Fixed Rate N&C Security]
[[Bank of England Base Rate/LIBOR/EURIBOR/[*Specify relevant ISDA Rate*]]+/-[] per cent. Floating Rate N&C Security]
[Variable Interest Rate N&C Security]
[Non-interest bearing N&C Security]

11. Redemption / Payment Basis: Preference Share linked redemption in accordance with N&C

¹¹ Not Applicable in the case of Definitive Registered N&C Securities.

¹² Insert for N&C Securities issued by nominal amount only.

¹³ Insert for N&C Securities issued by Unit only.

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Security Condition 7

(N.B. The N&C Securities will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)

12. Change of Interest Basis: [Applicable] / [Not Applicable]
[Specify the date when any fixed to floating rate change occurs or cross-refer to paragraphs 15 and 16 below and identify there]
13. Issuer Call Option: [Not Applicable] / [Issuer Call applicable (further particulars specified below)]
14. 14.1 Status of N&C Securities: Senior
14.2 Status of Guarantee: Senior

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate N&C Security Provisions [Applicable] / [Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- 15.1 Rate(s) of Interest/determination of interest: [] per cent. [per annum] payable in arrear on each Interest Payment Date
(or, if applicable, insert relevant provisions from the Payout Annex: i.e. Payout Condition 2.1(a), the relevant Interest Payment Option from Payout Condition 2.2 and/or related definitions from Payout Condition 3.)
- 15.2 Interest Payment Date[s]: [[] in each year from (and including) [] and up to (and including) [insert date] / [specify other]
(NB: do not specify the final Interest Payment Date to be "Maturity Date", instead specify the calendar date or "Scheduled Maturity Date")
(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 28 below)
(NB: This will need to be amended in the case of irregular 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

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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)

15.5 Day Count Fraction: [Actual/Actual (ICMA)]/[Act/Act (ICMA)]
[Actual/Actual (ISDA)]/[Actual/Actual]/[Act/Act]/
[Act/Act (ISDA)]
[Actual/365 (Fixed)]/[Act/365 (Fixed)]/[A/365 (Fixed)]/[A/365F]
[Actual/365 (Sterling)]
[Actual/360]/[Act/360]/[A/360]
[30/360 (ICMA)]
[30/360]/[360/360]/[Bond Basis]
[30E/360]/[Eurobond Basis]
[30E/360 (ISDA)]
[unadjusted/adjusted]
[Not Applicable]

(N.B. If interest is not payable on a regular basis (for example, if there are Broken Amounts specified), Actual/Actual (ICMA) may not be a suitable Day Count Fraction)

(N.B. Actual/Actual (ICMA) is normally only appropriate for Fixed Rate N&C Securities denominated in euros)

15.6 Determination Date(s): [[] in each year][Not Applicable]

(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In which case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)

15.7 Business Day Convention: [Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention] / [Not Applicable]

15.8 Additional Business Centre(s): [] / [TARGET2] / [Not Applicable]

16. Floating Rate N&C Security Provisions [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

16.1 Specified Period(s)/Specified Interest Payment Dates: [[] in each year from (and including) [] up to (and including) [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]

(NB: do not specify the final Specified Interest Payment Date to be "Maturity Date", instead specify the calendar date or "Scheduled Maturity Date")

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(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 28 below)

- 16.2 Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / [Not Applicable]]
- 16.3 Additional Business Centre(s): [] / [TARGET2] / [Not Applicable]
- 16.4 Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination / ISDA Determination / Bank of England Base Rate Determination]

(further particulars specified below)

(or, if applicable, insert relevant provisions from the Payout Annex: i.e. Payout Condition 2.1(b), the relevant Interest Payment Option from Payout Condition 2.2 and/or related definitions from Payout Condition 3.)
- 16.5 Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent) (*Note: Should always specify the Calculation Agent if Bank of England Base Rate Determination applies*): [The Calculation Agent: See paragraph 31 below] / [*specify other*]

[Address]
- 16.6 Screen Rate Determination: [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Reference Rate: [] month LIBOR / EURIBOR
- (b) Interest Determination Date: []

(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
- (c) Relevant Screen Page: []

(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it

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is a page which shows a composite rate or amend fallback provisions appropriately)

- (d) Rate Multiplier: [Not Applicable] / [] per cent.]
- 16.7 ISDA Determination: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Floating Rate Option: []
- (b) Designated Maturity: []
- (c) Reset Date: []
- (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
- (d) Rate Multiplier [Not Applicable] / [] per cent.]
- 16.8 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 sub-paragraphs of this paragraph)*
- (a) Designated Maturity: [Daily] []
- (b) Interest Determination Date: []
- (c) Relevant Screen Page: [Reuters UKBASE] []
- (d) Rate Multiplier: [Not Applicable] / [] per cent.]
- 16.10 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)]

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[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]

17. Other Variable Interest Rate N&C Security Provisions Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

17.1 Type of Variable Interest Rate N&C Securities: *(Insert relevant provisions from the Payout Annex: i.e. Payout Condition 2.1(c), the relevant Interest Payment Option from Payout Condition 2.2 and/or related definitions from Payout Condition 3.)*

17.2 Specified Period(s) / Specified Interest Payment Dates: in each year from (and including) and up to (and including) *[specify date] / [specify other]*

(NB: do not specify the final Specified Interest Payment Date to be "Maturity Date", instead specify the calendar date or "Scheduled Maturity Date")

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

17.4 Additional Business Centre(s): / [TARGET 2] / [Not Applicable]

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

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

17.7 Day Count Fraction: [Actual/Actual (ISDA)]/[Actual/Actual]/[Act/Act]/[Act/Act (ISDA)]
 [Actual/Actual (ICMA)]/[Act/Act (ICMA)]
 [Actual/365 (Fixed)]/[Act/365 (Fixed)]/[A/365 (Fixed)]/[A/365F]
 [Actual/365 (Sterling)]
 [Actual/360]/[Act/360]/[A/360]
 [30/360 (ICMA)]
 [30/360]/[360/360]/[Bond Basis]
 [30E/360]/[Eurobond Basis]
 [30E/360 (ISDA)]
 [adjusted / unadjusted]
 [Not Applicable]
[(NB: Actual/Actual (ICMA) is normally only appropriate for Fixed Rate N&C Securities denominated in euros)]

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17.8 Determination Date(s): in each year]/[Not Applicable]

[Only relevant where Day Count Fraction is Actual/Actual (ICMA). In which case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]

18. Key Dates relating to Variable Interest Rate N&C Securities

(a) Trade Date:]

(b) Valuation Date(s):]/[Not Applicable]

(c) Initial Valuation Date:]/[Not Applicable]

(d) Scheduled Observation Date(s):]/[Not Applicable]

(e) Calculation Date(s):]/[Not Applicable]

(f) Observation Period:]/[Not Applicable]

(g) Averaging Dates: [Averaging applies / does not apply] to the N&C Securities.]
[The Averaging Dates are].]

[In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]

(h) Final Valuation Date:]/[Not Applicable]

(i) Specified Maximum Days of Disruption: [See [Equity Linked Condition 10 (for Equity Linked Interest N&C Securities)] / [Equity Index/ETF Linked Condition 9] (for Equity Index/ETF Linked Interest N&C Securities))] / [[Specify number] Scheduled Trading Days] / [Not Applicable]

19. Additional provisions relating to Equity Linked Interest N&C Securities Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

19.1 Whether the interest provisions in respect of the N&C Securities relate to a single share or a basket containing one or more shares (each a "Share"):
 [Single Share] / [Basket containing one or more Shares]

19.2 Share(s) and Share Company(ies):

(a) [Name of Share]

(b) [Name of Share Company/Basket Company]

(c) Bloomberg Screen:]

(d) ISIN Code:]

(In case of more than one Share repeat the prompts set out in

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*items 19.2 – 19.7 inclusive and include the relevant information. In this case before such items set out the title: **Information in relation to [name of Share]**)*

- 19.3 Depository Receipts provisions: [Applicable] / [Not Applicable]
(If Not Applicable, delete the remaining sub-paragraph of this paragraph)
- (a) Details of Depository Receipt: [specify name and ISIN code]
- (b) Underlying Shares: [specify the shares underlying the depository receipts]
- (c) Underlying Share issuer: [specify name of the underlying issuer]
- (d) Share Exchange: [specify - exchange for underlying share]
- 19.4 Exchange(s): The relevant Exchange[s] [is/are] []
- 19.5 Settlement Price: [Opening Price] / [Intraday Price] / [Observation Level] / [Closing Price]
- (NB:- If Observation Level is elected please specify one of (a) the [lowest] [highest] Closing Price observed by the Calculation Agent on the Scheduled Observation Dates or (b) the price of the Shares observed by the Calculation Agent in accordance with the definition of Settlement Price at or about the Relevant Time on the [Initial Valuation Date] [Scheduled Observation Date]).*
- 19.6 Related Exchange: [specify] / [All Exchanges]
- 19.7 Relevant Time: [Scheduled Opening Time] [Scheduled Closing Time]/[The relevant time is [], being a time specified on a [Valuation Date/Averaging Date/Scheduled Observation Date], as the case may be, for the calculation of the Settlement Price.]
- 19.8 Exchange Business Day: [Exchange Business Day (Single Share Basis)] / [Exchange Business Day (All Shares Basis)] / [Exchange Business Day (Per Share Basis)] / [Exchange Business Day (Cross Asset Basis) *(note only to be specified for Cross-Asset Linked Interest N&C Securities which relate only to Equities and Equity Indices/ETFs)*]
- 19.9 Scheduled Trading Day: [Scheduled Trading Day (Single Share Basis)] / [Scheduled Trading Day (All Shares Basis)] / [Scheduled Trading Day (Per Share Basis)] [Scheduled Trading Day (Cross Asset Basis) *(note only to be specified for Cross-Asset Linked Interest N&C Securities which relate only to Equities and Equity Indices/ETFs)*]
- 19.10 Further provisions relating to Extraordinary Events:
- (a) Tender Offer: [Applicable] / [Not Applicable]

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- (b) Share Substitution: [Applicable] / [Not Applicable]
- (c) De-Merger: [Applicable/Not Applicable]
- (d) Participation Event: [Applicable/Not Applicable]
- (e) Illiquidity: [Applicable/Not Applicable]

19.11 Additional Disruption Events: [Applicable]/[Not Applicable] *(if not applicable, delete remaining parts of this item 19.11)*

(a) Elected Events Only: [Applicable] / [Not Applicable]

(b) [The following Additional Disruption Events apply to the N&C Securities: [Analogous Event] [Change in Law] [Currency Event] [Failure to Deliver] [Force Majeure Event] [Hedging Disruption] [Increased Cost of Hedging] [Increased Cost of Stock Borrow] [Insolvency Filing] [Jurisdiction Event] [Loss of Stock Borrow] [Termination or Adjustment Event (if applicable)]]

(NB: delete this item (b) if "Elected Events Only" is specified as Not Applicable)

(c) [The Maximum Stock Loan Rate in respect of [specify in relation to each relevant Share] is []]

(NB: only applicable if Loss of Stock Borrow is required)

(d) [The Initial Stock Loan Rate in respect of [specify in relation to each relevant Share] is [].]

(NB: only applicable if Increased Cost of Stock Borrow is required)

20. Additional provisions relating to Equity Index/ETF Linked Interest N&C Securities [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

20.1 Whether the interest provisions in respect of the N&C Securities relate to single index or ETF or a basket containing one or more indices or ETFS and the identity of each relevant Index/ETF: [Single index] / [Basket containing one or more indices] / [Single ETF] / [Basket containing one or more ETFs]

20.2 Equity Index: [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(a) [Name of Index/Basket Index]

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(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 20.2 – 20.7 inclusive below and include the relevant information in a tabular format.)

20.3 Exchange Traded Fund:

[Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(a) [*Name of ETF/Basket ETF*]

(b) The ETF Issuer is [*Name of ETF Issuer*]

(c) ETF Bloomberg Screen: []

(d) ISIN Code: []

(e) The Related Index is [*Name of Related Index*]

(f) Related Index Bloomberg Screen: []

(g) Related Index ISIN Code: []

(In case of more than one ETF repeat the prompts set out in items 20.3 – 20.7 inclusive below and include the relevant information in a tabular format.)

20.4 Index / ETF Level:

[Opening Level] / [Intraday Level] / [Observation Level] / [Closing Level]

(NB:- If Observation Level is selected please specify one of (a) the [lowest] [highest] Closing Level observed by the Calculation Agent on the Scheduled Observation Dates or (b) the level of the [Index] [ETF] observed by the Calculation Agent in accordance with the definition of Index/ETF Level at or about the Relevant Time on the [Initial Valuation Date] [Scheduled Observation Date]).

20.5 Exchange(s)

[The relevant Exchange[s] [is/are] []]

20.6 Related Exchange:

[specify] / [All Exchanges]

20.7 Relevant Time:

[Scheduled Closing Time] / [The relevant time is [], being the time specified on the [Valuation Date/Averaging Date/Scheduled Observation Date] for the calculation of the Index/ETF Level.]

20.8 Exchange Business Day:

[Exchange Business Day (Single Index Basis)] / [Exchange Business Day (All Indices Basis)] / [Exchange Business Day (Per Index Basis)]/[Exchange Business Day (Cross Asset Basis)]
(Note: final option only to be specified for Cross-Asset Linked

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Interest N&C Securities which relate only to Equities and Equity Indices/ETFs]

20.9 Scheduled Trading Day: [Scheduled Trading Day (Single Index Basis)] / [Scheduled Trading Day (All Indices Basis)] / [Scheduled Trading Day (Per Index Basis)] [Scheduled Trading Day (Cross Asset Basis)] *(Note: final option only to be specified for Cross-Asset Linked Interest N&C Securities which relate only to Equities and Equity Indices/ETFs)]*

20.10 Additional Disruption Events: [Applicable]/[Not Applicable: the provisions of Equity Index/ETF Linked Condition 7 do not apply] *(if Not Applicable, delete the remaining parts of this item 20.10)*

(a) Elected Events Only: [Applicable] / [Not Applicable] *[where the interest provisions for the N&C Securities are linked to an ETF or basket of ETFs, include the following language: provided that “Additional Disruption Event” will be deemed to include Merger Event, Tender Offer, Insolvency, Nationalisation and De-Listing]*

(b) [The following Additional Disruption Events apply to the N&C Securities: [Change in Law] [Hedging Disruption] [Increased Cost of Hedging] [Increased Cost of Stock Borrow] [Loss of Stock Borrow] [Merger Event] [Tender Offer] [Insolvency] [Nationalisation] [De-listing][ETF Event]]

(NB: delete this item (b) if "Elected Events Only" is specified as Not Applicable)

(c) [The Maximum Stock Loan Rate in respect of [specify in relation to each relevant Component Security] is []]

(NB: only applicable if Loss of Stock Borrow is applicable)

(d) [The Initial Stock Loan Rate in respect of [specify in relation to each relevant Component Security] is [].]

(NB: only applicable if Increased Cost of Stock Borrow is applicable)

21. Additional provisions relating to Inflation Index Linked Interest N&C Securities [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

21.1 Inflation Index/Inflation Indices: []

(Give or details of index/indices. In case of more than one Inflation Index, repeat the prompts set out in items 21.1 –21.7 inclusive below and include the relevant information. In this

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case immediately before such items set out the title: **Information in relation to [name of Inflation Index]**)

21.2 Inflation Index Sponsor(s): []

21.3 Reference source(s): []

21.4 Related Bond: [Applicable] / [Not Applicable]

The Related Bond is: [] [Fallback Bond]

The issuer of the Related Bond is: []

21.5 Fallback Bond: [Applicable] / [Not Applicable]

21.6 Observation Level: [Applicable / Not Applicable]

(NB:- If applicable please specify one of (a) the [lowest] [highest] level of the Inflation Index observed by the Calculation Agent in accordance with the Inflation Index Linked Conditions in respect of the Scheduled Observation Dates or (b) the level of the Inflation Index observed by the Calculation Agent in accordance with the Inflation Index Linked Conditions in respect of the [Initial Valuation Date] [Scheduled Observation Date].)

21.7 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 21.7(a) – 21.7(d) inclusive below (if different for each Key Date) and include the relevant information in a tabular format.)*

(a) Reference Month: []

(b) Determination Date(s): []

(Note this may be the relevant Key Date)

(c) Inflation Cut-Off Date: [] [As defined in the Inflation Index Linked Conditions]

(d) End Date: [] [Maturity Date]

(This is necessary whenever Fallback Bond is Applicable)

21.8 Additional Disruption Events: [The following Additional Disruption Events apply to the N&C Securities: [Change in Law][,/and] [Hedging Disruption][,/and] [Increased Cost of Hedging]]/[Not Applicable: the provisions of Inflation Index Linked Condition 4 do not apply]

22. Additional provisions relating to Property Index Linked Interest N&C Securities [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph. If applicable, insert provisions here)

22.1 Property Index: []

(Give details of index / indices. In case of more than one

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*Property Index, repeat the prompts set out in items 22.1 – 22.4 inclusive below and include the relevant information. In this case immediately before such items set out the title **Information in relation to [name of Property Index]***

- 22.2 Property Index Sponsor []
- 22.3 Property Index Dates in relation to [Name of Key Date]: *(In case of more than one Key Date, repeat the prompts set out in items 22.3(a) - 22.3(c) inclusive below (if different for each Key Date) and include the relevant information in a tabular format.)*
- (a) Publication Date(s): [] [As defined in the Property Index Linked Conditions]
- (Note this may be the relevant Key Date)*
- (b) Reference Period: []
- (c) Cure Period: [Applicable: [] (If applicable, Cure Period to be specified)] / [Not Applicable]
- (NB. ensure that the Cure Period cannot extend beyond Scheduled Maturity Date)*
- 22.4 Observation Level: [Applicable / Not Applicable]
- [If applicable, please specify with the following or a similar formulation (a) the [lowest] [highest] [Index Level], [level] of the Property Index [with respect to [Insert Reference Period]] observed by the Calculation Agent in accordance with the Property Index Linked Conditions in respect of the Scheduled Observation Date[s] or (b) the [Index Level] [level] of the Property Index [with respect to [insert Reference Period]] observed by the Calculation Agent in accordance with the Property Index Linked Conditions in respect of [the] [Initial Valuation Date] [Scheduled Observation Date].]*
- 22.5 Additional Disruption Events: [The following Additional Disruption Events apply to the N&C Securities: [Change in Law][,/and][Hedging Disruption][,/and][Increased Cost of Hedging]/[Not Applicable: the provisions of Property Index Linked Condition 5 do not apply]]
- 23. Additional provisions relating to Fixed Income Benchmark N&C Securities** [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- 23.1 Additional Business Centre(s): [] / [TARGET2] / [Not Applicable]
- 23.2 Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination / ISDA Determination / Bank of England Base Rate Determination]
- (further particulars specified below)*
- 23.3 Screen Rate Determination: [Applicable] / [Not Applicable]

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(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (a) Interest Determination Date(s): []
- (b) Reference Rate: [] month LIBOR / EURIBOR
- (c) Relevant Screen Page: []

(In the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate or amend fallback provisions appropriately)

23.4 ISDA Determination: [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (a) Reset Date(s): []
- (b) Floating Rate Option: []
- (c) Designated Maturity: []

23.5 Bank of England Base Rate Determination: [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (a) Designated Maturity: [Daily] []
- (b) Relevant Screen Page: [Reuters UKBASE] []

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

23.7 Minimum Rate of Interest: [] per cent. per annum

23.8 Maximum Rate of Interest: [] per cent. per annum

PROVISIONS RELATING TO REDEMPTION

24. Issuer Call [Applicable] / [Not Applicable]

[If applicable, insert:

*Optional Preference Share Redemption Valuation Date(s):
[insert date(s)] (subject to adjustment in accordance with N&C
Security Condition 7.2)]*

25. Provisions relating to Preference Share Linked Redemption:

- (a) Preference Shares [insert title and series number] issued by the Company
- (b) Initial Reference Date: [insert date]

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(c) Preference Share Valuation Date: [insert date] (subject to adjustment in accordance with N&C Security Condition 7.1)

(d) Valuation Time [5.00 p.m. (London time)] [insert other]

GENERAL PROVISIONS APPLICABLE TO THE N&C SECURITIES

26. Form of N&C Securities:

26.1 Form: [Bearer N&C Securities:

[Temporary Bearer Global N&C Security exchangeable for a Permanent Bearer Global N&C Security which is exchangeable for definitive Bearer N&C Securities [on 60 days' notice given at any time/only upon an Exchange Event]].

[Temporary Bearer Global N&C Security exchangeable for Definitive Bearer N&C Securities on and after the Exchange Date.]

[Permanent Bearer Global N&C Security exchangeable for Definitive Bearer N&C Securities [on 60 days' notice given at any time/only upon an Exchange Event]].

(Ensure that this is consistent with the wording in the "Form of the N&C Securities" section in the Base Prospectus and the N&C Securities themselves. (N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the N&C Securities in paragraph 6 includes language substantially to the following effect: "[€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 N&C Securities:

"[€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 above [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of N&C Securities which is to be represented on issue by a Temporary Bearer Global N&C Security exchangeable for Definitive N&C Securities.)

[Immobilised Bearer N&C Securities:

[Permanently Restricted Global N&C Security held by

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the Book-Entry Depositary and CDIs registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg]]

(Permanently Restricted Global N&C Security to be used for securities which are to be represented by CREST Depository Interests)

[CREST Depository Instruments:

CREST Depository Interests ("**CREST Depository Interests**") representing the N&C Securities may also be issued in accordance with the usual procedures of Euroclear UK & Ireland Limited ("**CREST**").]

- 26.2 New Global Note: [Yes] / [No]
27. 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-paragraph 15.8, 16.3, 17.4 and 23.1 relate)*
28. Payment Day Convention: [Following] / [Modified Following] / [Preceding]
- (NB: If no Payment Day Convention is specified, "Following" will apply)*
29. 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]
30. Rounding Convention: [Rounded up] / [Rounded down] / [Not Applicable]
31. Calculation Agent: [Abbey National Treasury Services plc
2 Triton Square
Regent's Place
London NW1 3AN
United Kingdom]
[specify other, including address]
32. Specified N&C Securities [Not Applicable] / [The N&C Securities shall be treated as Specified N&C Securities (as defined in the Base Prospectus) for the purpose of Section 871(m) of the U.S. Internal Revenue Code of 1986.]

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RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer and the Guarantor each confirm that such information has been accurately reproduced and that, so far as they are aware and is/are able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer and the Guarantor:

By:

Duly authorised

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PART B – OTHER INFORMATION

[When completing this Part B prompts marked:

** should be deleted if minimum denomination is €100,000 or more (or its equivalent in the relevant currency as at the date of issue).]*

1. LISTING AND ADMISSION TO TRADING

1.1 Listing and admission to trading:

[Application [has been][is expected to be] made by the Issuer (or on its behalf) for the N&C Securities to be admitted to trading on the London Stock Exchange's Regulated Market and to be listed the Official List of the UK Listing Authority with effect on or about [●] [the Issue Date].]

[Application [has been][is expected to be] made by the Issuer (or on its behalf) for the N&C Securities to be admitted to the Official List of the Irish Stock Exchange and trading on its regulated market with effect from [●] [the Issue Date].]

[Specify any other listing, if applicable]

(Where documenting a fungible issue, indication must be given that the original N&C Securities are already admitted to trading).

[Not Applicable]

2. RATINGS

2.1 Ratings:

[None. Please note that as at the Issue Date it is not intended that this specific Series of N&C Securities will be rated.]

[The N&C Securities to be issued [have been]/[are expected to be] rated [insert rating] by [insert the legal name of the relevant credit rating agency entity(ies)]./[The following ratings reflect ratings assigned to N&C Securities of this type issued under the Programme generally.]

[Each of [defined terms] is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**")]

[Include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(The above disclosure should reflect the rating specifically allocated to N&C Securities of the type being issued under the Programme generally, or, where the issue has been specifically rated, that rating.

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

[Save for any fees payable to the Dealer [and any Authorised Offeror[s]], so far as the Issuer is aware, no person involved

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in the issue of the N&C Securities has an interest material to the offer. *(Amend as appropriate if there are other interests)*)

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)]

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

4.1 Reasons for the offer: [General corporate purposes]

(See "Use of Proceeds" wording in Base Prospectus - if reasons for offer differ from general corporate purposes and/or making profit and/or hedging certain risks, you will need to include those reasons here.)

4.2 Estimated net proceeds: []

(If proceeds are intended for more than one use you will need to split out and present in order of priority. If proceeds are insufficient to fund all proposed uses state amount and sources of other funding.)

4.3 Estimated total expenses: []

[Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses".]

(it is only necessary to include disclosure of net proceeds and total expenses at 4.2 and 4.3 above where disclosure is included at 4.1 above.)

5. HISTORIC RATES OF INTEREST - *Floating Rate N&C Securities Only*

Details of historic [LIBOR/EURIBOR/Bank of England Base Rate/] rates can be obtained from [Reuters and/or Bloomberg].

6. PERFORMANCE OF *[[IDENTIFY REFERENCE ITEM] / [FORMULA]]*, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT [AND OTHER INFORMATION CONCERNING *[[IDENTIFY REFERENCE ITEM] / [THE FORMULA]]*] - *VARIABLE INTEREST RATE N&C SECURITIES*

[If there is a derivative component in the interest, an example of how the value of the investment is affected by the value of the underlying may be included.]

- *[Need to include details of where past and future performance and volatility of the Reference Item can be obtained].*
- *[Where the underlying is an index, include the name of [the/each] index and details of where information about [the/each] index can be obtained.]*
- *[Where the underlying is a basket of underlyings, include details of the relevant weighting of each underlying in the basket.]*

[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

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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].

7. PERFORMANCE OF THE PREFERENCE SHARES, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND OTHER INFORMATION CONCERNING THE PREFERENCE SHARES

The Company is a private company limited by shares and was incorporated under the Companies Act 2006 on 18 November 2015 (with registered number 9878451) as a wholly owned subsidiary of Abbey National Treasury Services plc. The Company is governed by the laws of England and Wales and has its registered office at 2 Triton Square, Regent's Place, London NW1 3AN.

A copy of the Company's constitutional documents and the applicable terms and conditions of the class of Preference Shares (the "**Preference Share Terms and Conditions**") are available to investors in the N&C Securities on written request (free of charge) from the registered office of the Company at 2 Triton Square, Regent's Place, London NW1 3AN [and from the Distributor of the N&C Securities] on proof of identity as a N&C Securityholder. The performance of the Preference Shares is linked to the performance of [*insert details of relevant underlying reference item(s)*].

The Preference Share Terms and Conditions will provide that, unless otherwise redeemed or cancelled, the Preference Shares will be redeemable on their final redemption date at a defined amount as determined in accordance with the Preference Share Terms and Conditions.

Information on the Preference Shares (including past and further performance and volatility) is expected to be published on [●] or on such successor page or source as may be notified to N&C Securityholders in accordance with N&C Security Condition 14 (*Notices*).

8. OPERATIONAL INFORMATION

- | | | |
|-----|--|--|
| 8.1 | ISIN: | [] |
| 8.2 | Common Code: | [] |
| 8.3 | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | [Not Applicable/ <i>give name(s) and number(s)</i>]
[The N&C Securities will also be eligible for CREST via the issue of CREST Depository Interests representing the N&C Securities] |
| 8.4 | Delivery: | Delivery [against/free of] payment |
| 8.5 | Names and addresses of additional Paying Agent(s) (if any): | [] / [Not Applicable] |
| 8.6 | Deemed delivery of clearing system notice for the purposes of N&C Security Condition 14 (<i>Notices</i>): | Any notice delivered to N&C Securityholders through the clearing system will be deemed to have been given on the [second][business] day after the day on which it was given to [Euroclear] [and/,] [Clearstream, Luxembourg] [and/,] [<i>specify other</i>]. |
| 8.7 | Intended to be held in a manner which would allow Eurosystem eligibility: | [Yes. Note that the designation "yes" simply means that the N&C Securities are intended upon issue to be deposited with [one of the international central securities depositories ("ICSDs") as common safekeeper][<i>specify other</i>] 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 |

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or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

(If "Yes" is selected and the N&C Securities are deposited with an ICSD, the N&C Securities must be issued in NGN form.)

[No. [Whilst the designation is specified as "no" at the date of these Final Terms, should the 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 intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

8.8 Governing law: English

9. DISTRIBUTION

9.1 Method of distribution: [Syndicated/Non-syndicated]

9.2 (i) If syndicated, names 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]

9.3 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 Final Terms or Base Prospectus (as the case may be) (the "**Stabilisation Manager**") may over-allot N&C Securities (provided that, in the case of any Tranche of N&C Securities to be admitted to trading on the London Stock Exchange's regulated market and/or any other regulated market (within the meaning of FSMA) in the European Economic Area, the aggregate nominal amount of N&C Securities allotted does not exceed 105.00 per cent. of the aggregate nominal amount of the Tranche of N&C Securities) or effect transactions with a view to supporting the market price of the N&C Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Tranche of N&C Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Tranche of N&C

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Securities and 60 days after the date of the allotment of the Tranche of N&C Securities.]

9.4 U.S. Selling Restrictions:

The N&C Securities are only for offer and sale outside the United States in offshore transactions to non-U.S. Persons in reliance on Regulation S under the Securities Act and may not be offered, sold, transferred, pledged, delivered, redeemed, directly or indirectly, at any time within the United States or to, or for the account or benefit of, or by, any U.S. Person.

Each initial purchaser of the N&C Securities and each subsequent purchaser or transferee of the N&C Securities shall be deemed to have agreed with the Issuer or the seller of such 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.

[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 and Immobilised Bearer Securities will be TEFRA not applicable)

9.5 (a) Non-exempt Offer:

[Applicable] [Not Applicable]. (delete remaining sub-paragraph if not Applicable)

(b) Non-exempt Offer Jurisdiction:

[Specify relevant Member States where the issuer intends to make Non-exempt Offers, which must be jurisdictions into which the Base Prospectus and any relevant supplements have been passported (in addition to Ireland, where the Base Prospectus is approved and published)]

(c) Offer Period

[Specify date] until [specify date or a formulation such as “the Issue Date” or “the date which falls [●] Business Days thereafter”

(Consider walk-away rights if extending Offer Period beyond the Issue Date)

(d) Financial intermediaries granted specific consent to use the Base Prospectus in accordance with the Conditions in it:

[Insert names and addresses of financial intermediaries receiving consent (specific consent)] [Not Applicable]

(e) General Consent:

[Applicable]/[Not Applicable]

(f) Other Authorised Offeror Terms:

[Not Applicable][Add here any other Authorised Offeror Terms (Authorised Offeror Terms should only be included here where General Consent is applicable.)]

(N.B. Consider any local regulatory requirements necessary to

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be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the Base Prospectus (and any supplement) has been notified / passported.)

10. TERMS AND CONDITIONS OF THE OFFER*

[Applicable] / [Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)* [The N&C Securities will be offered to the public in each Non-exempt Offer Jurisdiction[s] in accordance with the arrangements listed below.]

- | | | |
|------|--|--|
| 10.1 | Offer Price: | [Not Applicable][See 10.10 below][Issue Price] |
| 10.2 | [Conditions to which the offer is subject:] | [Not Applicable] / [give details]

[Offers of the N&C Securities are conditional on their issue and are subject to such conditions as are set out in the [Distribution Agreement]. As between Dealers and their customers (including Authorised Offerors) or between Authorised Offerors and their customers, offers of the N&C Securities are further subject to such conditions as may be agreed between them and/or as is specified in any arrangements in place between them.] |
| 10.3 | [Description of the application process:] | [Not Applicable] / [give details] |
| 10.4 | [Details of the minimum and/or maximum amount of application:] | [Not Applicable] / [give details] |
| 10.5 | [Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:] | [Not Applicable] / [give details] |
| 10.6 | [Details of the method and time limits for paying up and delivering the N&C Securities:] | [Not Applicable] / [give details]

<i>[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.]</i> |
| 10.7 | [Manner in and date on which results of the offer are to be made public:] | [Not Applicable] / [give details]

<i>[If applicable (i) specify date on which the final size of the issue will be made public and (ii) insert specific details in respect of the method of publication (including, where relevant, details of any advertisements to be published).]</i> |
| 10.8 | [Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:] | [Not Applicable] / [give details] |
| 10.9 | [Whether tranche(s) have been reserved for certain countries:] | [Not Applicable] / [give details] |

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- 10.10 Indication of the expected price at which the N&C Securities will be offered or the method of determining the price and the process for its disclosure: [Not Applicable] [The Issuer has offered and will sell the N&C Securities to the Dealer(s) (and no one else) at the Issue Price. The Dealer(s) and Authorised Offerors will offer and sell the N&C Securities to their customers in accordance with the arrangements in place between each such Dealer and its customers (including the Authorised Offerors) or each such Authorised Offeror and its customers at the Issue Price.]
- [The Issue Price for the N&C Securities includes a number of costs including sale commissions and hedging related payments and may not be an accurate reflection of the market value of the N&C Securities as of the Issue Date. The price at which the N&C Securities may be sold in secondary market transactions may be significantly lower than the Issue Price as a result. Accordingly, investors should be prepared to hold the N&C Securities until maturity.]
- The Issue Price for the N&C Securities includes an embedded commission which will be payable to one or more distributors for the N&C Securities. An investor should enquire of any distributor from which it purchases N&C Securities as to the level of commissions received by the distributor.]
- [Other]
- 10.11 [Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:] [Not Applicable] / [give details]
- [Prospective N&C Securityholders will be notified by the relevant Dealer(s) and Authorised Offeror in accordance with the arrangements in place between such Dealer(s) or Authorised Offeror and its customers. Any dealings in the N&C Securities, which take place will be at the risk of the prospective N&C Securityholders.]
- 10.12 [Amount of any expenses and taxes specifically charged to the subscriber or purchaser:] [Not Applicable] / [give details]
- 10.13 [Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.] [The Authorised Offerors are identified in 9.5 above.] / [None] / [give details]

[The Issuer is only offering to and selling to the Dealer(s) pursuant to and in accordance with the terms of the [Distribution Agreement] [Programme Agreement]¹⁴. All sales to persons other than the Dealer(s) will be made by the Dealer(s) or persons to whom they sell, and/or otherwise make arrangements with, including the Authorised Offeror(s). 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 Authorised Offeror(s) in accordance with the arrangements in place between any such Dealer or [any such][the] Authorised Offeror and its customers.]

¹⁴ Delete as applicable depending on whether syndicated trade or not.

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[[Each [of] [t][T]he Dealer(s) has acknowledged and agreed, and any Authorised Offeror will be required by the Dealer(s) to acknowledge and agree, that for the purpose of offer(s) of the N&C Securities, the Issuer has passported the Base Prospectus in [each of] the Non-exempt Offer Jurisdiction[s] and will not passport the Base Prospectus into any other European Economic Area Member State; accordingly, the N&C Securities may only be publicly offered in Non-exempt Offer Jurisdiction[s] or offered to Qualified Investors (as defined in the Prospectus Directive) in any other European Economic Area Member States and that all offers of N&C Securities by it will be made only in accordance with the selling restrictions set forth in the Base Prospectus and the provisions of these Final Terms and in compliance with all applicable laws and regulations.]]

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SUMMARY OF THE N&C SECURITIES

[Insert completed summary for the N&C Securities, unless minimum denomination is equal to or greater than EUR 100,000 (or its equivalent in another currency)]

Form of Pricing Supplement for Exempt N&C Securities

APPLICABLE PRICING SUPPLEMENT

FORM OF PRICING SUPPLEMENT FOR EXEMPT N&C SECURITIES

EXEMPT N&C SECURITIES OF ANY DENOMINATION

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

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

PLEASE CAREFULLY READ THE RISK FACTORS IN THE BASE PROSPECTUS

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN FINANCIAL AND LEGAL ADVISORS ABOUT THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE N&C SECURITIES AND THE SUITABILITY OF AN INVESTMENT IN THE N&C SECURITIES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES

[Date]

Abbey National Treasury Services plc

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

Guaranteed by Santander UK plc

under the
Structured Note and Certificate Programme
(the "**Programme**")

The Base Prospectus 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 (each, a "**Relevant Member State**") which has implemented the Prospectus Directive will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the N&C Securities. Accordingly, any person making or intending to make an offer in that Relevant 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 or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of N&C Securities in any other circumstances.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the relevant Member State of the European Economic Area.

PARTA – CONTRACTUAL TERMS

This document constitutes the Pricing Supplement for the N&C Securities described herein. This document must be read in conjunction with the Base Prospectus dated 30 November 2015 [as supplemented by the supplement[s] dated [●]] (the "**Base Prospectus**"). Full information on the Issuer, the Guarantor and the offer of the N&C Securities is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. The Base Prospectus has been published on the websites of the Irish Stock Exchange (www.ise.ie), the Central Bank of Ireland (<http://www.centralbank.ie>) and the Issuer's website ([\[insert link\]](#)). [The Base Prospectus is also available for viewing during normal business hours at the specified office of Citibank, N.A., London Branch acting as Principal Paying Agent and copies may be obtained from the registered office of the Issuer and the Guarantor.] In the event of any inconsistency between the Conditions and the Pricing Supplement, this Pricing Supplement will prevail.

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Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions of the N&C Securities (the "**N&C Security Conditions**" and, together with the applicable Annex(es) the "**Conditions**") set forth in the Base Prospectus. 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 U.S. Commodity Exchange Act, as amended (the "**CEA**"), and trading in the N&C Securities has not been approved by the U.S. Commodity Futures Trading Commission (the "**CFTC**") pursuant to the CEA, and no U.S. Person may at any time trade or maintain a position in the N&C Securities. For a description of the restrictions on offers and sales of N&C Securities, see "*Important Notice to Purchasers and Transferees of N&C Securities*" and "*Subscription and Sale*" in the Base Prospectus.

For the purposes of this Pricing Supplement, "U.S. Person" means (i) a "U.S. person" as defined in Regulation S under the Securities Act ("**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**"), (iii) a person other than a "Non-United States person" as defined in CFTC Rule 4.7, or (iv) a "United States person" as defined in the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder, in each case, as such definition may be amended, modified or supplemented from time to time (each such person, a "**U.S. Person**").

[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.]

[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 for it based upon its own judgement and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer, the Guarantor or any Dealer as investment advice or as a recommendation to invest in the N&C Securities, it being understood that information and explanations related to the terms and conditions of the N&C Securities shall not be considered to be investment advice or a recommendation to invest in the N&C Securities. No communication (written or oral) received from the Issuer, the Guarantor or any Dealer shall be deemed to be an assurance or guarantee as to the expected results of the investment in the N&C Securities.*
- (b) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and conditions and the risks of the investment in the N&C Securities. It is also capable of assuming, and assumes, the risks of the investment in the N&C Securities.*
- (c) **Status of Parties.** None of the Issuer, the Guarantor and any Dealer is acting as fiduciary for or adviser to it in respect of the investment in the N&C Securities.]*

1.	1.1	Issuer:	Abbey National Treasury Services plc
	1.2	Guarantor:	Santander UK plc
2.	2.1	Type of N&C Security:	[Note] / [Certificate]
	2.2	Series Number:	[]
	2.3	Tranche Number:	[]
	2.4	[Date on which the N&C Securities will be consolidated and form a single Series:	The N&C Securities will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue

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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 26 below, which is expected to occur on or about *[insert date]* [Not Applicable]

2.5 Trading Method: [Nominal] / [Unit]

2.6 Applicable Annex(es): [Not Applicable] / [Payout] / [Equity] / [Equity Index/ETF] / [Inflation Index] / [Property Index]

(N.B. more than one Annex may apply)

3. Specified Currency: []

(NB: the Specified Currency must be the same as the currency of the Preference Shares)

4. [Aggregate Nominal Amount] / [Aggregate Issue Size]:

4.1 Series: []¹

4.2 Tranche: []²

[4.3 Nominal Amount per Unit: For calculation purposes only, each Unit shall be deemed to have a nominal amount of [].

*(Each N&C Security must have a minimum Nominal Amount per Unit of €1,000 (or, if the N&C Securities are denominated in a currency other than euro, the equivalent in such currency. If N&C Securities are not traded by unit, delete this item))*³

5. [5.1] [Issue Price] / [Unit Issue Price] for [100 per cent. of the Aggregate Nominal Amount] / [[] *[Insert currency]*] per Unit (the "**Issue Price**") [plus accrued interest from and including *[insert date]* to but excluding the Issue Date (which is equal to [] days' accrued interest) (*in the case of fungible issues, if applicable*)]

The Issue Price specified [in/at [paragraph []]/above] may be more than the market value of the N&C Securities as at the Issue Date, and the price, if any, at which the Dealer or any other person is willing to purchase the N&C Securities in secondary market transactions is likely to be lower than the Issue Price. In particular, the Issue Price may describe the overall proceeds received by the Issuer in connection with the issue of the N&C Securities expressed as a percentage of the Aggregate Nominal Amount. In addition to the purchase price received from the Dealer, the Issuer may receive up front payment(s) under the hedging arrangements for the N&C

¹ For N&C Securities issued by Unit, "Aggregate Issue Size" should be specified and expressed as a number of Units.

² For N&C Securities issued by Unit, "Aggregate Issue Size" should be specified and expressed as a number of Units.

³ For N&C Securities issued by Unit only.

⁴ 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 be the same as the "Offer Price" (if any). Both the "Issue Price" and the "Offer Price" should be par (i.e. 100 per cent.).

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Securities and secondary market prices may exclude such amounts. [See further Part B, item 6.6 below.]

To the extent permitted by applicable law, if any fees relating to the issue and sale of the N&C Securities have been paid or are payable by the Dealer to an intermediary (an "**Intermediary**"), then such Intermediary may be obliged to fully disclose to its clients the existence, nature and amount of any such fees (including, if applicable, by way of discount) as required in accordance with laws and regulations applicable to such Intermediary, including any legislation, regulation and/or rule implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC), or as otherwise may apply in any non-EEA jurisdictions.

Investors in the N&C Securities intending to invest in N&C Securities through an Intermediary (including by way of introducing broker) should request details of any such fee payment from such Intermediary before making any purchase thereof.

[5.2] Unit Value on Issue: [[*Insert currency*] per Unit]

Investors should note that the value of a Unit in the secondary market or on redemption may be less than the Unit Value on Issue

(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)*⁵

6. [6.1] Specified Denominations: []

(N.B. The minimum denomination of each N&C Security will be €1,000 (or, if the N&C Securities are denominated in a currency other than euro, the equivalent in such currency))

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

*[[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No N&C Securities in definitive form will be issued with a denomination exceeding [€199,000].]*⁶

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

[6.2] Minimum Tradable Size: [[€100,000]⁷ [[] Units and in multiples of [] Unit[s] (the "**Multiple Tradeable Size**") in excess thereof.]⁸

⁵ The Aggregate Proceeds Amount should be an amount equal to the Aggregate Issue Size multiplied by the Unit Issue Price.

⁶ Not Applicable in the case of Definitive Registered N&C Securities.

⁷ Insert for N&C Securities issued by nominal amount only.

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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]

(NB. The Preference Shares should be issued before such date)

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

8. Type of N&C Security: [Fixed Rate N&C Security]
[Floating Rate N&C Security]
[Cross-Asset Linked Interest N&C Security:
(specify each relevant Type as follows)]
[Equity Linked Interest N&C Security]
[Equity Index/ETF Interest Linked N&C Security]
[Inflation Index Linked Interest N&C Security]
[Property Index Linked Interest N&C Security]

(Specify all N&C Security types which apply)

9. Maturity Date: The third Business Day following the Final Reference Date which is scheduled to be [●] (the "**Scheduled Maturity Date**")

10. Interest Basis: [[] per cent. Fixed Rate N&C Security]
[[Bank of England Base Rate/LIBOR/EURIBOR/[Specify relevant ISDA Rate]]+/-[] per cent. Floating Rate N&C Security]
[Variable Interest Rate N&C Security]
[Non-interest bearing N&C Security]

11. Redemption / Payment Basis: Preference Share linked redemption in accordance with N&C Security Condition 7

(N.B. The N&C Securities will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)

12. Change of Interest Basis: [Applicable] / [Not Applicable]
[Specify the date when any fixed to floating rate change occurs or cross-refer to paragraphs 15 and 16 below and identify there]

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13. Issuer Call Option: [Not Applicable] / [Issuer Call applicable (further particulars specified below)]

14. 14.1 Status of N&C Securities: Senior

14.2 Status of Guarantee: Senior

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

15.1 Rate(s) of Interest/determination of interest: [] per cent. [per annum] payable in arrear on each Interest Payment Date

(or, if applicable, insert relevant provisions from the Payout Annex: i.e. Payout Condition 2.1(a), the relevant Interest Payment Option from Payout Condition 2.2 and/or related definitions from Payout Condition 3.)

15.2 Interest Payment Date[s]: [[] in each year from (and including) [] and up to (and including) [insert date] / [specify other]

(NB: do not specify the final Interest Payment Date to be "Maturity Date", instead specify the calendar date or "Scheduled Maturity Date")

(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 28 above)

(NB: This will need to be amended in the case of irregular 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)

15.5 Day Count Fraction: [Actual/Actual (ICMA)]/[Act/Act (ICMA)]
[Actual/Actual (ISDA)]/[Actual/Actual]/[Act/Act]/
[Act/Act (ISDA)]

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[Actual/365 (Fixed)]/[Act/365 (Fixed)]/[A/365 (Fixed)]/[A/365F]
 [Actual/365 (Sterling)]
 [Actual/360]/[Act/360]/[A/360]
 [30/360 (ICMA)]
 [30/360]/[360/360]/[Bond Basis]
 [30E/360]/[Eurobond Basis]
 [30E/360 (ISDA)]
 [unadjusted/adjusted]
 [Not Applicable]

(N.B. If interest is not payable on a regular basis (for example, if there are Broken Amounts specified), Actual/Actual (ICMA) may not be a suitable Day Count Fraction)

(N.B. Actual/Actual (ICMA) is normally only appropriate for Fixed Rate N&C Securities denominated in euros)

15.6 Determination Date(s): in each year][Not Applicable]

(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In which case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)

15.7 Business Day Convention: [Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention] / [Not Applicable]

15.8 Additional Business Centre(s): / [TARGET2] / [Not Applicable]

16. Floating Rate N&C Security Provisions [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

16.1 Specified Period(s)/Specified Interest Payment Dates: in each year from (and including) up to (and including) [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]

(NB: do not specify the final Specified Interest Payment Date to be "Maturity Date", instead specify the calendar date or "Scheduled Maturity Date")

(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

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appropriate Payment Day Convention in paragraph 28 above)

- 16.2 Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / [Not Applicable]]
- 16.3 Additional Business Centre(s): [] / [TARGET2] / [Not Applicable]
- 16.4 Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination / ISDA Determination / Bank of England Base Rate Determination]
- (further particulars specified below)
- (or, if applicable, insert relevant provisions from the Payout Annex: i.e. Payout Condition 2.1(b), the relevant Interest Payment Option from Payout Condition 2.2 and/or related definitions from Payout Condition 3.)*
- 16.5 Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent) (*Note: Should always specify the Calculation Agent if Bank of England Base Rate Determination applies*): [The Calculation Agent: See paragraph 31 below] / [*specify other*]
- [Address]
- 16.6 Screen Rate Determination: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Reference Rate: [] month LIBOR / EURIBOR
- (b) Interest Determination Date: []
- (Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- (c) Relevant Screen Page: []
- (In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend fallback provisions appropriately)*
- (d) Rate Multiplier: [Not Applicable] / [[●] per cent.]
- 16.7 ISDA Determination: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Floating Rate Option: []

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- (b) Designated Maturity: []
- (c) Reset Date: []
- (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
- (d) Rate Multiplier [Not Applicable] / [[●] per cent.]
- 16.8 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 sub-paragraphs of this paragraph)*
- (a) Designated Maturity: [Daily] []
- (b) Interest Determination Date: []
- (c) Relevant Screen Page: [Reuters UKBASE] []
- (d) Rate Multiplier: [Not Applicable] / [[●] per cent.]
- 16.10 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)]
 [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]*

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- 17. Other Variable Interest Rate N&C Security Provisions** [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- 17.1 Type of Variable Interest Rate N&C Securities: *(Insert relevant provisions from the Payout Annex: i.e. Payout Condition 2.1(c), the relevant Interest Payment Option from Payout Condition 2.2 and/or related definitions from Payout Condition 3.)*
- 17.2 Specified Period(s) / Specified Interest Payment Dates: [[] in each year from (and including) [] and up to (and including) [specify date] / [specify other]
- (NB: do not specify the final Specified Interest Payment Date to be "Maturity Date", instead specify the calendar date or "Scheduled Maturity Date")*
- 17.3 Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention]
- 17.4 Additional Business Centre(s): [] / [TARGET 2] / [Not Applicable]
- 17.5 Minimum Rate of Interest: [[] per cent. per annum][Not Applicable]
- 17.6 Maximum Rate of Interest: [[] per cent. per annum][Not Applicable]
- 17.7 Day Count Fraction: [Actual/Actual (ISDA)]/[Actual/Actual]/[Act/Act]/[Act/Act (ISDA)]
 [Actual/Actual (ICMA)]/[Act/Act (ICMA)]
 [Actual/365 (Fixed)]/[Act/365 (Fixed)]/[A/365 (Fixed)]/[A/365F]
 [Actual/365 (Sterling)]
 [Actual/360]/[Act/360]/[A/360]
 [30/360 (ICMA)]
 [30/360][360/360]/[Bond Basis]
 [30E/360]/[Eurobond Basis]
 [30E/360 (ISDA)]
 [adjusted / unadjusted]
 [Not Applicable]
[(NB: Actual/Actual (ICMA) is normally only appropriate for Fixed Rate N&C Securities denominated in euros)]
- 17.8 Determination Date(s): [[] in each year]/[Not Applicable]
- [Only relevant where Day Count Fraction is Actual/Actual (ICMA). In which case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*
- 18. Key Dates relating to Variable Interest Rate N&C Securities**

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- (a) Trade Date: []
- (b) Valuation Date(s): [] / [Not Applicable]
- (c) Initial Valuation Date: [] / [Not Applicable]
- (d) Scheduled Observation Date(s): [] / [Not Applicable]
- (e) Calculation Date(s): [] / [Not Applicable]
- (f) Observation Period: [] / [Not Applicable]
- (g) Averaging Dates: [Averaging [applies / does not apply] to the N&C Securities.]
[The Averaging Dates are [].]

[In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]
- (h) Final Valuation Date: [] / [Not Applicable]
- (i) Specified Maximum Days of Disruption: [See [Equity Linked Condition 10 (for Equity Linked Interest N&C Securities)] / [Equity Index/ETF Linked Condition 9] (for Equity Index/ETF Linked Interest N&C Securities))] / [[Specify number] Scheduled Trading Days] / [Not Applicable]

19. Additional provisions relating to Equity Linked Interest N&C Securities [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

19.1 Whether the interest provisions in respect of the N&C Securities relate to a single share or a basket containing one or more shares (each a "Share"): [Single Share] / [Basket containing one or more Shares]

- 19.2 Share(s) and Share Company(ies):
- (a) [Name of Share]
 - (b) [Name of Share Company/Basket Company]
 - (c) Bloomberg Screen: []
 - (d) ISIN Code: []

*(In case of more than one Share repeat the prompts set out in items 19.2 – 19.7 inclusive and include the relevant information. In this case before such items set out the title: **Information in relation to [name of Share]**)*

19.3 Depository Receipts provisions: [Applicable] / [Not Applicable]
(If Not Applicable, delete the remaining sub-paragraph of this paragraph)

- (a) Details of Depository Receipt: [specify name and ISIN code]

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- (b) Underlying Shares: [specify the shares underlying the depositary receipts]
- (c) Underlying Share issuer: [specify name of the underlying issuer]
- (d) Share Exchange: [specify - exchange for underlying share]
- 19.4 Exchange(s): The relevant Exchange[s] [is/are] []
- 19.5 Settlement Price: [Opening Price] / [Intraday Price] / [Observation Level] / [Closing Price]
- (NB:- If Observation Level is elected please specify one of (a) the [lowest] [highest] Closing Price observed by the Calculation Agent on the Scheduled Observation Dates or (b) the price of the Shares observed by the Calculation Agent in accordance with the definition of Settlement Price at or about the Relevant Time on the [Initial Valuation Date] [Scheduled Observation Date]).*
- 19.6 Related Exchange: [specify] / [All Exchanges]
- 19.7 Relevant Time: [Scheduled Opening Time] [Scheduled Closing Time]/[The relevant time is [], being a time specified on a [Valuation Date/Averaging Date/Scheduled Observation Date], as the case may be, for the calculation of the Settlement Price.]
- 19.8 Exchange Business Day: [Exchange Business Day (Single Share Basis)] / [Exchange Business Day (All Shares Basis)] / [Exchange Business Day (Per Share Basis)] / [Exchange Business Day (Cross Asset Basis)] *(note only to be specified for Cross-Asset Linked Interest N&C Securities which relate only to Equities and Equity Indices/ETFs)*
- 19.9 Scheduled Trading Day: [Scheduled Trading Day (Single Share Basis)] / [Scheduled Trading Day (All Shares Basis)] / [Scheduled Trading Day (Per Share Basis)] [Scheduled Trading Day (Cross Asset Basis)] *(note only to be specified for Cross-Asset Linked Interest N&C Securities which relate only to Equities and Equity Indices/ETFs)*
- 19.10 Further provisions relating to Extraordinary Events:
- (a) Tender Offer: [Applicable] / [Not Applicable]
- (b) Share Substitution: [Applicable] / [Not Applicable]
- (c) De-Merger: [Applicable/Not Applicable]
- (d) Participation Event: [Applicable/Not Applicable]
- (e) Illiquidity: [Applicable/Not Applicable]
- 19.11 Additional Disruption Events: [Applicable]/[Not Applicable] *(if not applicable, delete remaining parts of this item 19.11)*

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(a) Elected Events Only: [Applicable] / [Not Applicable]

(b) [The following Additional Disruption Events apply to the N&C Securities: [Analogous Event] [Change in Law] [Currency Event] [Failure to Deliver] [Force Majeure Event] [Hedging Disruption] [Increased Cost of Hedging] [Increased Cost of Stock Borrow] [Insolvency Filing] [Jurisdiction Event] [Loss of Stock Borrow] [Termination or Adjustment Event (if applicable)]]

(NB: delete this item (b) if "Elected Events Only" is specified as Not Applicable)

(c) [The Maximum Stock Loan Rate in respect of [specify in relation to each relevant Share] is []]

(NB: only applicable if Loss of Stock Borrow is required)

(d) [The Initial Stock Loan Rate in respect of [specify in relation to each relevant Share] is [].]

(NB: only applicable if Increased Cost of Stock Borrow is required)

20. Additional provisions relating to Equity Index/ETF Linked Interest N&C Securities [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

20.1 Whether the interest provisions in respect of the N&C Securities relate to single index or ETF or a basket containing one or more indices or ETFS and the identity of each relevant Index/ETF: [Single index] / [Basket containing one or more indices] / [Single ETF] / [Basket containing one or more ETFs]

20.2 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 20.2 – 20.7 inclusive below and include the relevant information in a tabular format.)

20.3 Exchange Traded Fund: [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this

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paragraph)

- (a) [Name of ETF/Basket ETF]
- (b) The ETF Issuer is [Name of ETF Issuer]
- (c) ETF Bloomberg Screen: []
- (d) ISIN Code: []
- (e) The Related Index is [Name of Related Index]
- (f) Related Index Bloomberg Screen: []
- (g) Related Index ISIN Code: []

(In case of more than one ETF repeat the prompts set out in items 20.3 – 20.7 inclusive below and include the relevant information in a tabular format.)

- | | | |
|-------|-------------------------------|---|
| 20.4 | Index / ETF Level: | [Opening Level] / [Intraday Level] / [Observation Level] / [Closing Level]

<i>(NB:- If Observation Level is selected please specify one of (a) the [lowest] [highest] Closing Level observed by the Calculation Agent on the Scheduled Observation Dates or (b) the level of the [Index] [ETF] observed by the Calculation Agent in accordance with the definition of Index/ETF Level at or about the Relevant Time on the [Initial Valuation Date] [Scheduled Observation Date]).</i> |
| 20.5 | Exchange(s) | [The relevant Exchange[s] [is/are] []] |
| 20.6 | Related Exchange: | [specify] / [All Exchanges] |
| 20.7 | Relevant Time: | [Scheduled Closing Time] / [The relevant time is [], being the time specified on the [Valuation Date/Averaging Date/Scheduled Observation Date] for the calculation of the Index/ETF Level.] |
| 20.8 | Exchange Business Day: | [Exchange Business Day (Single Index Basis)] / [Exchange Business Day (All Indices Basis)] / [Exchange Business Day (Per Index Basis)]/[Exchange Business Day (Cross Asset Basis)]
<i>(Note: final option only to be specified for Cross-Asset Linked Interest N&C Securities which relate only to Equities and Equity Indices/ETFs)]</i> |
| 20.9 | Scheduled Trading Day: | [Scheduled Trading Day (Single Index Basis)] / [Scheduled Trading Day (All Indices Basis)] / [Scheduled Trading Day (Per Index Basis)] [Scheduled Trading Day (Cross Asset Basis)]
<i>(Note: final option only to be specified for Cross-Asset Linked Interest N&C Securities which relate only to Equities and Equity Indices/ETFs)]</i> |
| 20.10 | Additional Disruption Events: | [Applicable]/[Not Applicable: the provisions of Equity |

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Index/ETF Linked Condition 7 do not apply] (if Not Applicable, delete the remaining parts of this item 20.10)

(a) Elected Events Only: [Applicable] / [Not Applicable]
[where the interest provisions for the N&C Securities are linked to an ETF or basket of ETFs, include the following language: provided that “Additional Disruption Event” will be deemed to include Merger Event, Tender Offer, Insolvency, Nationalisation and De-Listing]

(b) [The following Additional Disruption Events apply to the N&C Securities: [Change in Law] [Hedging Disruption] [Increased Cost of Hedging] [Increased Cost of Stock Borrow] [Loss of Stock Borrow] [Merger Event] [Tender Offer] [Insolvency] [Nationalisation] [De-listing][ETF Event]]

(NB: delete this item (b) if "Elected Events Only" is specified as Not Applicable)

(c) [The Maximum Stock Loan Rate in respect of [specify in relation to each relevant Component Security] is []]

(NB: only applicable if Loss of Stock Borrow is applicable)

(d) [The Initial Stock Loan Rate in respect of [specify in relation to each relevant Component Security] is [].]

(NB: only applicable if Increased Cost of Stock Borrow is applicable)

21. Additional provisions relating to Inflation Index Linked Interest N&C Securities [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

21.1 Inflation Index/Inflation Indices: []

(Give or details of index/indices. In case of more than one Inflation Index, repeat the prompts set out in items 21.1 –21.7 inclusive below and include the relevant information. In this case immediately before such items set out the title: **Information in relation to [name of Inflation Index]**)

21.2 Inflation Index Sponsor(s): []

21.3 Reference source(s): []

21.4 Related Bond: [Applicable] / [Not Applicable]

The Related Bond is: [] [Fallback Bond]

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The issuer of the Related Bond is: []

21.5 Fallback Bond: [Applicable] / [Not Applicable]

21.6 Observation Level: [Applicable / Not Applicable]

(NB:- If applicable please specify one of (a) the [lowest] [highest] level of the Inflation Index observed by the Calculation Agent in accordance with the Inflation Index Linked Conditions in respect of the Scheduled Observation Dates or (b) the level of the Inflation Index observed by the Calculation Agent in accordance with the Inflation Index Linked Conditions in respect of the [Initial Valuation Date] [Scheduled Observation Date].)

21.7 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 21.7(a) – 21.7(d) inclusive below (if different for each Key Date) and include the relevant information in a tabular format.)*

(a) Reference Month: []

(b) Determination Date(s): []

(Note this may be the relevant Key Date)

(c) Inflation Cut-Off Date: [] [As defined in the Inflation Index Linked Conditions]

(d) End Date: [] [Maturity Date]

(This is necessary whenever Fallback Bond is Applicable)

21.8 Additional Disruption Events: [The following Additional Disruption Events apply to the N&C Securities: [Change in Law][,/and] [Hedging Disruption][,/and] [Increased Cost of Hedging]]/[Not Applicable: the provisions of Inflation Index Linked Condition 4 do not apply]

22. Additional provisions relating to Property Index Linked Interest N&C Securities [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph. If applicable, insert provisions here)

22.1 Property Index: []

*(Give details of index / indices. In case of more than one Property Index, repeat the prompts set out in items 22.1 – 22.4 inclusive below and include the relevant information. In this case immediately before such items set out the title **Information in relation to [name of Property Index]**)*

22.2 Property Index Sponsor []

22.3 Property Index Dates in relation to [Name of Key Date]: *(In case of more than one Key Date, repeat the prompts set out in items 22.3(a) - 22.3(c) inclusive below (if different for each Key Date) and include the relevant information in a tabular*

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format.)

(a) Publication Date(s): [] [As defined in the Property Index Linked Conditions]

(Note this may be the relevant Key Date)

(b) Reference Period: []

(c) Cure Period: [Applicable: [] (If applicable, Cure Period to be specified)] / [Not Applicable]

(NB. ensure that the Cure Period cannot extend beyond Scheduled Maturity Date)

22.4 Observation Level: [Applicable / Not Applicable]

[If applicable, please specify with the following or a similar formulation (a) the [lowest] [highest] [Index Level], [level] of the Property Index [with respect to [Insert Reference Period]] observed by the Calculation Agent in accordance with the Property Index Linked Conditions in respect of the Scheduled Observation Date[s] or (b) the [Index Level] [level] of the Property Index [with respect to [insert Reference Period]] observed by the Calculation Agent in accordance with the Property Index Linked Conditions in respect of [the] [Initial Valuation Date] [Scheduled Observation Date].]

22.5 Additional Disruption Events: [The following Additional Disruption Events apply to the N&C Securities: [Change in Law][./and][Hedging Disruption][./and][Increased Cost of Hedging]/[Not Applicable: the provisions of Property Index Linked Condition 5 do not apply]]

23. Additional provisions relating to Fixed Income Benchmark N&C Securities [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

23.1 Additional Business Centre(s): [] / [TARGET2] / [Not Applicable]

23.2 Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination / ISDA Determination / Bank of England Base Rate Determination]

(further particulars specified below)

23.3 Screen Rate Determination: [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(a) Interest Determination Date(s): []

(b) Reference Rate: [] month LIBOR / EURIBOR

(c) Relevant Screen Page: []

(In the case of EURIBOR, if not Reuters EURIBOR01, ensure it

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is a page which shows a composite rate or amend fallback provisions appropriately)

- 23.4 ISDA Determination: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Reset Date(s): []
- (b) Floating Rate Option: []
- (c) Designated Maturity: []
- 23.5 Bank of England Base Rate Determination: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Designated Maturity: [Daily] []
- (b) Relevant Screen Page: [Reuters UKBASE] []
- 23.6 Margin(s): [+/-] [] per cent. per annum
- 23.7 Minimum Rate of Interest: [] per cent. per annum
- 23.8 Maximum Rate of Interest: [] per cent. per annum

PROVISIONS RELATING TO REDEMPTION

24. Issuer Call [Applicable] / [Not Applicable]
- [If applicable, insert:*
- Optional Preference Share Redemption Valuation Date(s):
[insert date(s)] (subject to adjustment in accordance with N&C Security Condition 7.2)]
25. Provisions relating to Preference Share Linked Redemption:
- (a) Preference Shares [insert title and series number] issued by the Company
- (b) Initial Reference Date: [insert date]
- (c) Preference Share Valuation Date: [insert date] (subject to adjustment in accordance with N&C Security Condition 7.1)]
- (d) Valuation Time [5.00 p.m. (London time)] [insert other]

GENERAL PROVISIONS APPLICABLE TO THE N&C SECURITIES

26. Form of N&C Securities:
- 26.1 Form: [Bearer N&C Securities:

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[Temporary Bearer Global N&C Security exchangeable for a Permanent Bearer Global N&C Security which is exchangeable for definitive Bearer N&C Securities [on 60 days' notice given at any time/only upon an Exchange Event]].

[Temporary Bearer Global N&C Security exchangeable for Definitive Bearer N&C Securities on and after the Exchange Date.]

[Permanent Bearer Global N&C Security exchangeable for Definitive Bearer N&C Securities [on 60 days' notice given at any time/only upon an Exchange Event]].

(Ensure that this is consistent with the wording in the "Form of the N&C Securities" section in the Base Prospectus and the N&C Securities themselves. (N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the N&C Securities in paragraph 6 includes language substantially to the following effect: "[€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 N&C Securities:

"[€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 above [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of N&C Securities which is to be represented on issue by a Temporary Bearer Global N&C Security exchangeable for Definitive N&C Securities.)

[Immobilised Bearer N&C Securities:

[Permanently Restricted Global N&C Security held by the Book-Entry Depositary and CDIs registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg]]

(Permanently Restricted Global N&C Security to be used for securities which are to be represented by CREST Depositary Interests)

[CREST Depositary Instruments:

CREST Depositary Interests ("**CREST Depositary**

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Interests") representing the N&C Securities may also be issued in accordance with the usual procedures of Euroclear UK & Ireland Limited ("**CREST**".)]

- 26.2 New Global Note: [Yes] / [No]
27. 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-paragraph 15.8, 16.3, 18.3 and 19.8 relate)
28. Payment Day Convention: [Following] / [Modified Following] / [Preceding]
- (NB: If no Payment Day Convention is specified, "Following" will apply)
29. 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]
30. Rounding Convention: [Rounded up] / [Rounded down] / [Not Applicable]
31. Calculation Agent: [Abbey National Treasury Services plc
2 Triton Square
Regent's Place
London NW1 3AN
United Kingdom]
[specify other, including address]
32. Any Conditions additional to, or modified from, those set forth in the Base Prospectus: [specify] / [Not Applicable]
33. Specified N&C Securities [Not Applicable] / [The N&C Securities shall be treated as Specified N&C Securities (as defined in the Base Prospectus) for the purpose of Section 871(m) of the U.S. Internal Revenue Code of 1986.]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement. [[Relevant third party information] has been extracted from [specify source]. The Issuer and the Guarantor each confirm that such information has been accurately reproduced and that, so far as they are aware and is/are able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading].]

Signed on behalf of the Issuer and the Guarantor:

By:

Duly authorised

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PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

Listing and admission to trading: [Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the N&C Securities to be listed *on [specify market - note this must not be a regulated market]* with effect from [].] [Not Applicable]

2. RATINGS

Ratings: [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*)]

4. [USE OF PROCEEDS

[]]

(Only required if the use of proceeds is different to that stated in the Base Prospectus)

5. OPERATIONAL INFORMATION

5.1 ISIN: []

5.2 Common Code: []

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 Deemed delivery of clearing system notice for the purposes of N&C Security Condition 14 (*Notices*): Any notice delivered to N&C Securityholders through the clearing system will be deemed to have been given on the [second][business] day after the day on which it was given to [Euroclear] [and/,] [Clearstream, Luxembourg] [and/,] [specify other].

5.7 Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the N&C Securities are intended upon issue to be deposited with [one of the international central securities depositories ("ICSDs") as common safekeeper][specify other] and does not

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necessarily mean that the N&C Securities will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

(If "Yes" is selected and the N&C Securities are deposited with an ICSD, the N&C Securities must be issued in NGN form.)

[No. [Whilst the designation is specified as "no" at the date of 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 intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

- 5.8 Governing law: English
- 5.9 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. DISTRIBUTION

- 6.1 Method of distribution: [Syndicated/Non-syndicated]
- 6.2 (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]*
- 6.3 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 Base Prospectus (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, there is no assurance that the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the Pricing Supplement for the offer of the Tranche of N&C Securities is made and, if begun,

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may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Tranche of N&C Securities and 60 days after the date of the allotment of the Tranche of N&C Securities.]

6.4 U.S. Selling Restrictions:

The N&C Securities are only for offer and sale outside the United States in offshore transactions to non-U.S. Persons in reliance on Regulation S under the Securities Act and may not be offered, sold, transferred, pledged, delivered, redeemed, directly or indirectly, at any time within the United States or to, or for the account or benefit of, or by, any U.S. Person.

Each initial purchaser of the N&C Securities and each subsequent purchaser or transferee of the N&C Securities shall be deemed to have agreed with the Issuer or the seller of such 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.

[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 and Immobilised Bearer Securities will be TEFRA not applicable)

6.5 Additional selling restrictions:

[Not Applicable]/[give details]

6.6 [Information relating to the Issue Price

The Issue Price for the N&C Securities includes a number of costs including sale commissions and hedging related payments and may not be an accurate reflection of the market value of the N&C Securities as of the Issue Date. The price at which the N&C Securities may be sold in secondary market transactions may be significantly lower than the Issue Price as a result. Accordingly, investors should be prepared to hold the N&C Securities until maturity.

The Issue Price for the N&C Securities includes an embedded commission which will be payable to one or more distributors for the N&C Securities. An investor should enquire of any distributor from which it purchases N&C Securities as to the level of commissions received by the distributor.]

[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]⁹. 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][the] Financial Intermediary] and its customers.]

⁹ Delete as applicable depending on whether syndicated trade or not.

Form of Guarantee

FORM OF GUARANTEE

GUARANTEE

THIS GUARANTEE is given on 30 November 2015 by Santander UK plc (the "**Guarantor**").

WHEREAS:

- (A) The Guarantor has agreed to guarantee the obligations of Abbey National Treasury Services plc (the "**Issuer**") in respect of notes ("**Notes**") and redeemable certificates ("**Certificates**" and, together with the Notes, "**N&C Securities**") issued under its Structured Note and Certificate Programme (the "**Programme**") which are issued pursuant to an Agency Agreement (as the same may be supplemented, amended and/or restated from time to time, the "**Agency Agreement**") dated on or around 30 November 2015 between, among others, the Issuer, the Guarantor and Citibank N.A. as Issuing and Principal Paying Agent.
- (B) Terms defined in the General Terms and Conditions of the N&C Securities (in the form referred to in the definition of "Conditions" in the Agency Agreement) and, in each case, each applicable Annex to the Terms and Conditions (as defined in the Agency Agreement) (together, the "**Conditions**") and not otherwise defined in this Guarantee shall have the same meaning when used in this Guarantee. References to "N&C Securities" herein shall include the related Coupons and Talons, if applicable. References to "Securityholder" herein will be references to "N&C Securityholder" or, where applicable, "Couponholder".
- (C) The giving of this Guarantee was authorised by the Board of Directors of the Guarantor on 24 March 2015.

NOW THIS DEED WITNESSETH as follows:

1. The Guarantor as primary obligor hereby irrevocably and unconditionally guarantees to the holder from time to time of each N&C Security by way of continuing guarantee:
 - (a) the due and punctual payment of all amounts payable by the Issuer on or in relation to such N&C Securities as and when the same shall become due according to the Conditions; and
 - (b) the due and punctual performance and observance by the Issuer of each of the other provisions of the N&C Securities ("**Relevant Obligations**") to be performed or observed by the Issuer in relation to all N&C Securities issued by it.
2. The Guarantor as primary obligor unconditionally and irrevocably agrees that if and each time that the Issuer shall fail to make any payments or perform any Relevant Obligations as and when the same become due or due to be performed or observed, the Guarantor will on demand (without requiring the relevant N&C Securityholder first to take steps against the Issuer or any other person) (x) pay to the relevant N&C Securityholder the relevant amounts in the currency in which the amounts are payable by the Issuer or (y) perform or observe or procure the performance or observation of the Relevant Obligation (in each case as to which the certificate of the relevant N&C Securityholder shall in the absence of manifest error be conclusive).
3. All payments by the Guarantor under this Guarantee will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or the taxing authority of any territory in which the Guarantor is incorporated or resident for taxation purposes, or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Guarantor will make the required withholding or deduction of such taxes, duties, assessments or governmental charges for the account of the holders of the N&C Securities, as the case may be, and shall not pay any additional amounts to the holders of the N&C Securities.
4. If any payment received by any N&C Securityholder pursuant to the provisions of the N&C Securities in relation to the N&C Securities shall, on the subsequent bankruptcy, insolvency or corporate reorganisation of the Issuer or other such

Form of Guarantee

similar event, be avoided or set aside for any reason, such payment shall not be considered as discharging or diminishing the liability of the Guarantor and this guarantee shall continue to apply as if such payment had at all times remained owing by the Issuer and the Guarantor shall indemnify the relative N&C Securityholders (as the case may be) in respect thereof PROVIDED THAT the obligations of the Guarantor under this subclause shall, as regards each payment made to any N&C Securityholder which is avoided or set aside, be contingent upon such payment being reimbursed or returned to the Issuer or other persons entitled through the Issuer.

5. The Guarantor hereby agrees that its obligations hereunder shall be unconditional and that the Guarantor shall be fully liable irrespective of the validity, regularity, legality or enforceability against the Issuer of, or of any defence or counter-claim whatsoever available to the Issuer in relation to, its obligations under the N&C Securities, whether or not any action has been taken to enforce the same or any judgment obtained against the Issuer, whether or not any of the other provisions of the N&C Securities have been modified, whether or not any time indulgence, waiver, authorisation or consent has been granted to the Issuer by or on behalf of the relative N&C Securityholders, whether or not there have been any dealings or transactions between the Issuer and any of the relative N&C Securityholders, whether or not the Issuer has been dissolved, liquidated, merged, consolidated, bankrupted or has changed its status, functions, control or ownership, whether or not the Issuer has been prevented from making payments by foreign exchange provisions applicable at its place of registration or incorporation and whether or not any other circumstances have occurred which might otherwise constitute a legal or equitable discharge of or defence to a guarantor. Accordingly, the validity of this guarantee shall not be affected by reason of any invalidity, irregularity, illegality or unenforceability of all or any of the obligations of the Issuer under these presents and this guarantee shall not be discharged nor shall the liability of the Guarantor under these presents be affected by any act, thing or omission or means whatever whereby its liability would not have been discharged if it had been the principal debtor or obligor.
6. The Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of dissolution, liquidation, merger or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, protest or notice with respect to the relative N&C Securities or the indebtedness evidenced thereby and all demands whatsoever and hereby covenants that this Guarantee shall be a continuing guarantee, which shall not be discharged except by complete performance of the obligations contained in the N&C Securities in relation to the relative N&C Securities.
7. If any moneys shall become payable and/or any Relevant Obligations due by the Guarantor under this Guarantee, the Guarantor shall not, so long as the same remain unpaid:
 - (a) in respect of any amounts paid by it under this Guarantee, exercise any rights of subrogation against the Issuer or any other right or remedy which may accrue to it in respect of or as a result of any such payment; or
 - (b) in respect of any other moneys for the time being due to the Guarantor by the Issuer, claim payment thereof or exercise any other right or remedy,

(including in either case claiming the benefit of any security or right of set-off or, on the liquidation of the Issuer, proving in competition with N&C Securityholders). If, notwithstanding the foregoing, upon the bankruptcy, insolvency or liquidation of the Issuer any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities, shall be received by the Guarantor before payment of all amounts and performance of all Relevant Obligations in full on the relative N&C Securities issued by the Issuer shall have been made to the relative N&C Securityholders, such payment or distribution shall be received by the Guarantor on trust to pay the same over immediately to the Issuing and Principal Paying Agent for application in or towards the payment of all sums due and remaining unpaid under the N&C Securities.
8. The obligations of the Guarantor under this Guarantee are direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and rank *pari passu* with all other present and future unsecured and unsubordinated obligations (including those arising under deposits received in its banking business) of the Guarantor, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.
9. This Guarantee shall enure for the benefit of the N&C Securityholders and shall be deposited with and held by Citibank N.A. as the Principal Paying Agent for N&C Securities.

Form of Guarantee

10. This Guarantee and any non-contractual obligations arising out of or in connection with this Guarantee are governed by, and construed in accordance with, the English law. The English courts, have exclusive jurisdiction to settle any disputes arising out of or in connection with this Guarantee, including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequence of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with this Guarantee (a "**Dispute**") and the Guarantor submits to the exclusive jurisdiction of the English Courts. For the purposes of this Clause 10, the Guarantor waives any objection to the English Courts on the grounds that they are an inconvenient or inappropriate forum to settle any dispute.

IN WITNESS whereof this Guarantee has been entered into as a deed by the Guarantor on the date which appears first on page 1.

THE COMMON SEAL of)
SANTANDER UK PLC)
was affixed to this deed)
in the presence of:)

.....

Title:

Form of the 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 Form of the N&C Securities.

Form of the N&C Securities

Other than in the case of Book-Entry Interests, CDIs (each as defined below) and Definitive Registered N&C Securities, the N&C Securities of each Series will initially be represented by a global security in bearer form, with or without interest coupons attached. Bearer N&C Securities will be issued outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**") and Immobilised Bearer N&C Securities of certain issues may be issued through the Book-Entry Depositary (as defined below). In addition, interests in (i) Bearer N&C Securities and (ii) Immobilised Bearer N&C Securities ("**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 be initially represented by either a temporary bearer global N&C Security (a "**Temporary Bearer Global N&C Security**") or a permanent bearer global N&C Security (a "**Permanent Bearer Global N&C Security**") and, together with the Temporary Bearer Global N&C Security, the "**Bearer Global N&C Securities**") as indicated in the applicable Issue Terms of the N&C Securities, which, in either case, will:

- (i) if the Bearer Global N&C Securities are intended to be issued in new global note ("**NGN**") form, as stated in the applicable Issue Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"); or
- (ii) if the Bearer Global N&C Securities are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg, as the case may be.

Where the Global N&C Securities issued in respect of any Tranche are in NGN form, the applicable Issue Terms will also indicate whether such Global N&C Securities are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global N&C Securities are to be so held does not necessarily mean that the 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 Issue Terms.

In the case of each Tranche of N&C Securities in bearer form the relevant Issue Terms 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, that TEFRA does not apply.

Whilst any Bearer N&C Security is represented by a Temporary Bearer Global N&C Security, payments of principal, interest (if any) and any other amount payable in respect of the N&C Securities due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global N&C Security (if the Temporary Bearer Global N&C Security is not intended to be issued in NGN form) only to the extent that certification to the effect that the beneficial owners of interests in such Bearer N&C Security are not U.S. Persons or persons who have purchased for resale to any U.S. Person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and 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

Form of the N&C Securities

N&C Security is issued directly (rather than exchanged from a Temporary Bearer Global N&C Security), then that issuance must, on the earlier of the date of the first payment of interest by the issuer or the date of delivery by the issuer of the obligation in definitive form, comply with the same certification requirements as a Temporary Bearer Global N&C Security, described above.

In respect of each Tranche of N&C Securities in respect of which a Temporary Bearer Global N&C Security is issued, on and after the date (the "**Exchange Date**") which is 40 days after the Temporary Bearer Global N&C Security is issued, interests in such Temporary Bearer Global N&C Security will be exchangeable (free of charge) upon a request as described therein for either:

- (i) interests in a Permanent Bearer Global N&C Security of the same Series; or
- (ii) Definitive Bearer N&C Securities (as defined in the General Terms and Conditions of the N&C Securities) of the same Series (as defined in the General Terms and Conditions of the N&C Securities) with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Issue Terms and subject, in the case of Definitive Bearer N&C Securities, to such notice period as is specified in the applicable Issue Terms).

In each case such exchange shall be made against certification of non-U.S. beneficial ownership as described above, unless such certification has already been given. Purchasers in the United States and certain U.S. Persons will not be able to receive Definitive Bearer N&C Securities or interests in a Permanent Bearer Global N&C Security. The holder of a Temporary Bearer Global N&C Security will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due presentation and certification, exchange of the Temporary Bearer Global N&C Security for an interest in a Permanent Bearer Global N&C Security or for Definitive Bearer N&C Securities is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global N&C Security will be made through Euroclear and/or Clearstream, Luxembourg, as applicable, against presentation or surrender (as the case may be) of the Permanent Bearer Global N&C Security (if the Permanent Bearer Global N&C Security is not intended to be issued in NGN form) without any requirement for certification.

The applicable Issue Terms will specify that a Permanent Bearer Global N&C Security will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer N&C Securities with, where applicable, receipts, interest coupons and talons attached upon either:

- (1) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg, as applicable, (acting on the instructions of any holder of an interest in such Permanent Bearer Global N&C Security) to the Principal Paying Agent, or
- (2) only upon the occurrence of an Exchange Event (as defined below).

No Definitive Bearer N&C Securities will be sent by post or otherwise delivered to any location in the United States or its possessions in connection with such exchange.

For these purposes, "**Exchange Event**" means that:

- (1) an Event of Default (as defined in N&C Security Condition 10 (Events of Default)) has occurred and is continuing;
- (2) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no alternative clearing system satisfactory to the Issuer and the Principal Paying Agent is available; or
- (3) the Issuer or the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the N&C Securities represented by the Permanent Bearer Global N&C Security in definitive form.

The Issuer will promptly give notice to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg, as the case may be, (acting on the instructions of any holder of an interest in such Permanent Bearer Global N&C Security) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (3)

Form of the N&C Securities

above, the Issuer or the Guarantor may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Global N&C Securities (other than Immobilised Bearer N&C Securities or Temporary Global N&C Securities), talons and interest coupons relating to such N&C Securities where TEFRA D is specified in the applicable Final Terms or Pricing Supplement, as the case may be:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

N&C Securities which are represented by a Bearer Global N&C Security will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

In relation to any Tranche of N&C Securities under the Programme, the Issuer may issue N&C Securities of a minimum authorised denomination of €100,000 and integral multiples of €1,000 (or such other amount as is specified in the applicable Issue Terms) in excess thereof up to and including €199,000 (or such other amount as is specified in the applicable Issue Terms). In such case, no N&C Securities in definitive form will be issued with a denomination above €199,000 (or such other amount as is specified in the applicable Issue Terms). So long as such N&C Securities are represented by a Temporary Bearer Global N&C Security or Permanent Bearer Global N&C Security and the relevant clearing systems so permit, the N&C Securities will be tradeable only in the relevant minimum authorised denomination and higher integral multiples of €1,000 (or such other amount as is specified in the applicable Issue Terms), notwithstanding that no Definitive Bearer N&C Securities will be issued with a denomination above €199,000 (or such other amount as is specified in the applicable Issue Terms).

If a Global Bearer N&C Security is exchangeable for a Definitive Bearer N&C Security at the option of the N&C Securityholders, the N&C Securities shall be tradeable only in principal amounts of at least the Specified Denomination (as defined in the General Terms and Conditions of the N&C Securities) (or if more than one Specified Denomination, the lowest Specified Denomination).

Immobilised Bearer N&C Securities

Interests in N&C Securities to be issued as bearer securities in immobilised form ("**Immobilised Bearer N&C Securities**") of certain issues that may not at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, a U.S. Person will initially be represented by a global security in bearer form (a "**Permanently Restricted Global N&C Security**" or an "**Immobilised Bearer Global N&C Security**"). Any offer, sale, resale, trade, pledge, redemption, transfer or delivery of an interest in a Permanently Restricted Global N&C Security made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. Person will not be recognised. Interests in Permanently Restricted Global N&C Securities may not be legally or beneficially owned at any time by any U.S. Person and accordingly may only be offered and sold outside the United States to non-U.S. Persons in reliance on Regulation S. Interests in a Permanently Restricted Global N&C Security may not be held otherwise than through Euroclear or Clearstream, Luxembourg, and such Permanently Restricted Global N&C Securities will bear a legend regarding such restrictions on transfer.

The Immobilised Bearer Global N&C Securities will initially be issued in bearer form, without interest coupons, and title thereto will pass by delivery. Pursuant to an N&C securities depositary agreement (such agreement as amended and/or supplemented and/or restated from time to time, the "**N&C Securities Depositary Agreement**") dated on or about the date of this Base Prospectus between the Issuer, Citibank, N.A., London Branch (the "**Book-Entry Depositary**"), Citibank, N.A., London Branch (the "**Custodian**") and Citigroup Global Markets Deutschland AG (the "**Registrar**"), the Immobilised Bearer Global N&C Securities of each Series will on issue be deposited with the Book-Entry Depositary and held by the Custodian on behalf of the Book-Entry Depositary. If any 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.

In respect of Immobilised Bearer Global N&C Securities to be settled through Euroclear and/or Clearstream, Luxembourg ("**Permanently Restricted Immobilised Bearer Global N&C Securities**") which are deposited with the Book-Entry Depositary, the Book-Entry Depositary will issue registered certificated depositary interests ("**CDIs**") to a common depositary for Euroclear and Clearstream, Luxembourg, or its nominee, and will record the CDIs in the books and records of the Registrar in the name of the common depositary or its nominee, as applicable. Ownership of interests in the Permanently Restricted Immobilised Bearer Global

Form of the N&C Securities

N&C Securities deposited with the Book-Entry Depository (the "**Book-Entry Interests**") will be limited to persons with an account with Euroclear and/or Clearstream, Luxembourg or persons who may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be affected only through records maintained in book-entry form by Euroclear and/or Clearstream, Luxembourg and their participants.

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

Interests in an Immobilised Bearer Global N&C Security will be exchangeable (free of charge), in whole but not in part, for N&C Securities in definitive registered form without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means:

- (i) an Event of Default has occurred and is continuing;
- (ii) in the case of Immobilised Bearer N&C Securities registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that (x) either Euroclear or Clearstream, Luxembourg is unwilling or unable to continue to act as 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 14 (Notices) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Immobilised Bearer Global N&C Security) may give notice to the Registrar (or request that the Principal Paying Agent does so) requesting exchange and, in the event of the occurrence of an Exchange Event as described in (v) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

In such an event, the Issuer (or the Registrar on behalf of the Issuer) will exchange the Book-Entry Interests in the relevant Immobilised Bearer Global N&C Security for N&C Securities in definitive form, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, Luxembourg, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and which may bear a restrictive legend unless such legending is not required by applicable law.

To the extent permitted by law, the Issuer, the Principal Paying Agent and the Registrar shall be entitled to treat the holder of any N&C Security as the absolute owner thereof.

Transfer of Interests

Pursuant to the N&C Securities Depository Agreement, the Immobilised Bearer Global N&C Securities may be transferred only to a successor to the relevant Book-Entry Depository.

Form of the N&C Securities

Unless and until Book-Entry Interests are exchanged for N&C Securities in definitive registered form, the CDIs held for the common depositary for Euroclear and Clearstream, Luxembourg may not be transferred except as a whole to a nominee or a successor approved by the Issuer.

All transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream, Luxembourg will be effected by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, Luxembourg and their respective participants.

A Book-Entry Interest in an Permanently Restricted Global Immobilised Bearer N&C Security may not be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, a U.S. Person, and any offer, sale, resale, trade, pledge, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. Person will not be recognised.

Book-Entry Interests in an Immobilised Bearer Global N&C Security may be exchanged for N&C Securities in definitive registered form upon receipt by the Registrar of instructions from the Principal Paying Agent. It is expected that such instructions of the Principal Paying Agent will be based upon directions received by Euroclear or Clearstream, Luxembourg, as applicable, from the participant which owns the relevant Book-Entry Interests. N&C Securities in a definitive registered form issued in exchange for a Book-Entry Interest will be subject to certain restrictions and will bear the legend provided for in the Agency Agreement and N&C Securities Depositary Agreement.

Immobilised Bearer N&C Securities are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions. See "*Subscription and Sale*".

General

Pursuant to the Agency Agreement (as defined under the General Terms and Conditions of the N&C Securities), the Principal Paying Agent shall arrange that, where a further Tranche of N&C Securities is issued which is intended to form a single Series with an existing Tranche of N&C Securities at a point after the Issue Date of the further Tranche, the N&C Securities of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to N&C Securities of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of any applicable period that by law or regulation would require such N&C Securities of such Tranche not to be fungible.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Issue Terms or, in the case of Exempt N&C Securities as may otherwise be approved by the Issuer and the Principal Paying Agent, as the case may be.

An N&C Security may be accelerated by the holder thereof in certain circumstances described in N&C Security Condition 10. 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 a deed of covenant (the "**Deed of Covenant**") dated 30 November 2015 and executed by the Issuer.

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 Issue Terms.

Any reference herein to the common depositary, depositary or, as applicable, common safekeeper shall, whenever the context so permits, be deemed to include references to any successor common depositary, depositary or, as applicable, common safekeeper or any additional or alternative common depositary, depositary or, as applicable, common safekeeper as is approved by the Issuer, the Guarantor and the Principal Paying Agent and the Registrar.

Form of the N&C Securities

Any reference herein to the nominee or, as applicable, common nominee shall, whenever the context so permits, be deemed to include references to any successor nominee or, as applicable, common nominee or any additional or alternative nominee or, as applicable, common nominee as is approved by the Issuer, the Guarantor, the Principal Paying Agent and the Registrar.

The Issuer and the Guarantor may agree with any Dealer that N&C Securities may be issued in a form not contemplated by the Conditions, in which event, other than where such N&C Securities are Exempt N&C Securities, a supplement to this base prospectus or a new prospectus or prospectus will be made available which will describe the effect of the agreement reached in relation to such N&C Securities.

Use of Proceeds

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 Issue Terms.

Book-Entry Clearance Systems and Settlement

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 and 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 and the Guarantor believe to be reliable. The Issuer and the Guarantor accept responsibility for the information contained in this section. Each of the Issuer and the Guarantor confirms that the information contained in this section has been accurately reproduced as far as each of the Issuer and the Guarantor is aware and is able to ascertain from information published by the above sources, and that no facts have been omitted which would render the reproduced information inaccurate or misleading. Investors wishing to use the facilities of any of the Clearance Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearance System. None of the Issuer, the Guarantor, the Dealers and the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the 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 depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

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

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 Depository in its capacity as bearer of the relevant Immobilised Bearer Global N&C Securities. Upon receipt of such amounts, the Book-Entry Depository will pay the amounts so received to the common depository 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 Depository 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.

Book-Entry Clearance Systems and Settlement

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 Depository 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 Guarantor, the Agents or any Dealer will be responsible for any performance by Euroclear or Clearstream, Luxembourg or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the 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 Securities**"). Such delivery, holding and settlement is governed, *inter alia*, by the terms of the CREST Manual issued by CREST dated 1 September 2015 (as the same may be amended, modified, varied or supplemented from time to time, the "**CREST Manual**"). 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 (as defined below) (the "**CREST Nominee**") will hold the legal title to the Underlying Securities and the direct enforcement right in respect of the Underlying Securities.

The CREST Depository Interests will represent indirect interests in the interest of the CREST Nominee in the Underlying Securities. Pursuant to the CREST Manual, 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 Securities will be credited to the CREST Nominee's account with Euroclear and the CREST Nominee will hold such interests as nominee for the CREST Depository which will issue CREST Depository Interests to the relevant CREST participants.

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

Transfers of interests in Underlying Securities by a CREST participant to a participant of Euroclear or Clearstream, Luxembourg will be effected by cancellation of the CREST Depository Interests and transfer of an interest in such N&C Securities underlying the CREST Depository Interests to the account of the relevant participant with Euroclear or Clearstream, Luxembourg. The CREST Depository Interests will have the same ISIN as the ISIN of the Underlying Securities and will not require a separate listing on the Official List of the Irish Stock Exchange or the Official List of the United Kingdom Listing Authority.

Book-Entry Clearance Systems and Settlement

Holders of CREST Depository Interests are referred to Chapter 8 of the CREST International Manual (as contained in the CREST Manual) which contains the form of the CREST Deed Poll to be entered into by the CREST Depository (the "**CREST Deed Poll**"). The rights of the holder of CREST Depository Interests will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the Issuer including the CREST Deed Poll executed by the CREST Depository. These rights may be different from those of holders of N&C Securities which are not represented by CREST Depository Interests.

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

- (i) holders of CREST Depository Interests will not be the legal owners of the Underlying Securities. The CREST Depository Interests are separate legal instruments from the Underlying Securities to which they relate and represent an indirect interest in such Underlying Securities;
- (ii) the Underlying Securities themselves (as distinct from the CREST Depository Interests representing indirect interests in such Underlying Securities) will be held in an account with a custodian. The custodian will hold the Underlying Securities through a clearing system. Rights in the Underlying Securities will be held through custodial and depository links through the appropriate clearing systems. The legal title to the Underlying Securities or to interests in the Underlying Securities will depend on the rules of the clearing system in or through which the Underlying Securities are held;
- (iii) rights under the Underlying Securities cannot be enforced by holders of CREST Depository Interests except indirectly through the intermediary depositories and custodians described above. The enforcement of rights under the Underlying Securities will therefore be subject to the local law of the relevant intermediary. The rights of holders of CREST Depository Interests to the Underlying Securities are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Securities. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Securities in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Securities held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries;
- (iv) the CREST Depository Interests issued to holders of CREST Depository Interests will be constituted and issued pursuant to the CREST Deed Poll. Holders of CREST Depository Interests will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to, the CREST International Manual and the CREST Rules applicable to the CREST International Settlement Links Service (in each case as contained in the CREST Manual) and such holders must comply in full with all obligations imposed on them by such provisions;
- (v) the provisions of the CREST Deed Poll and the CREST Manual (including for the avoidance of doubt the provisions of the CREST International 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 and the CREST Manual (including for the avoidance of doubt the provisions of the CREST International 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 <https://www.euroclear.com/en.html>;
- (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;

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- (viii) neither the Issuer, the Guarantor, the Dealer nor any Paying Agent will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations; and

- (ix) N&C Securities issued in temporary global form exchangeable for a Permanent Global Bearer N&C Security will not be eligible for CREST settlement as CREST Depository Interests. As such, investors investing in the Underlying Securities through CREST Depository Interests will only receive the CREST Depository Interests after such Temporary Bearer Global N&C Security is exchanged for a Permanent Bearer Global N&C Security, which could take up to 40 days after the issue of the N&C Securities.

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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 and Customs ("HMRC") practice in the United Kingdom relating only to certain aspects of United Kingdom taxation. 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. 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.

Payment of Interest on the N&C Securities

Withholding on account of United Kingdom tax

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

Payments of interest on the N&C Securities by the Issuer may be made without deduction of or withholding on account of United Kingdom income tax provided that the N&C Securities continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of ITA 2007. The London Stock Exchange is a recognised stock exchange. N&C Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the N&C Securities remain so listed, interest on the N&C Securities will be payable without withholding or deduction on account of United Kingdom tax whether or not the Issuer carries on a banking business in the United Kingdom and whether or not the interest is paid in the ordinary course of its business.

Interest on the N&C Securities may also be paid by the Issuer 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 by the Issuer 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" mean "interest" as understood in United Kingdom tax law and do not take into account any different meaning which may prevail under any other law or under the terms and conditions. Different considerations may apply to payments treated as "annual payments" or "manufactured payments". An amount may be required to be withheld from payments that are described as "interest" in the terms and conditions, but are not interest for United Kingdom tax purposes and are nevertheless treated as annual payments, on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any available reliefs and exemptions.

Taxation

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 supplemented by the applicable Final Terms or, in the case of Exempt 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.

Reporting of information HMRC has powers to obtain information and documents relating to the N&C Securities, including in relation to issues of and other transactions in the N&C Securities, interest, payments treated as interest and other payments derived from the N&C Securities. This may include details of the beneficial owners of the N&C Securities, of the persons for whom the N&C Securities are held and of the persons to whom payments derived from the N&C Securities are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the N&C Securities, persons who make, receive or are entitled to receive payments derived from the N&C Securities and persons by or through whom interest and payments treated as interest are paid or credited. Information obtained by HMRC may be provided to tax authorities in other jurisdictions.

2. Irish Taxation

The following is a summary of the Irish withholding tax treatment of the N&C Securities. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the N&C Securities. The summary relates only to the position of Irish withholding taxes on the N&C Securities.

The summary is based upon Irish tax laws and the practice of the Revenue Commissioners of Ireland as in effect on the date of this Base Prospectus. Prospective investors in the N&C Securities should consult their own advisers as to the Irish or other tax consequences of the purchase, beneficial ownership and disposition of the N&C Securities including, in particular, the effect of any state or local law taxes.

Irish Withholding Tax

Irish withholding tax applies to certain payments including payments of:

- Irish source yearly interest (i.e. interest that is capable of arising for a period in excess of one year);
- Irish source annual payments (annual payments are payments that are capable of being made over a period in excess of one year and are pure income-profit in the hands of the recipient); and
- Distributions (including interest that is treated as a distribution under Irish law) made by Irish resident companies,

at the standard rate of income tax (currently 20 per cent.).

On the basis that the Issuer is not resident in Ireland for the purposes of Irish tax, nor does the Issuer operate in Ireland through a branch or agency with which the issue of the N&C Securities is connected, nor are the N&C Securities held in Ireland through a depository, or otherwise located in Ireland, then to the extent that payments of interest or annual payments arise on the N&C Securities, such payments would not be regarded as payments having an Irish source for the purposes of Irish taxation.

Accordingly, the Issuer or any paying agent acting on behalf of the Issuer should not be obliged to deduct any amount on account of these Irish withholding taxes from payments made in connection with the N&C Securities.

Separately, for as long as the N&C Securities are quoted on a stock exchange, a purchaser of the N&C Securities should not be obliged to deduct any amount on account of Irish tax from a payment made by it in connection with the purchase of the N&C Securities.

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Irish Encashment Tax

Payments on any N&C Securities paid by a paying agent in Ireland or collected or realised by an agent in Ireland acting on behalf of the beneficial owner of the N&C Securities may be subject to Irish encashment tax at the standard rate of Irish tax (currently 20 per cent.), unless it is proved, on a claim made in the required manner to the Revenue Commissioners of Ireland, that the beneficial owner of the N&C Securities entitled to the interest or distribution is not resident in Ireland for the purposes of Irish tax and such interest or distribution is not deemed, under the provisions of Irish tax legislation, to be income of another person that is resident in Ireland.

3. EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the **Savings Directive**) EU Member States are required to provide to the tax authorities of other EU Member States details of certain payments of interest or similar income paid or secured by a person established in an EU Member State to or for the benefit of an individual resident in another EU Member State or certain limited types of entities established in another EU Member State.

For a transitional period, Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 10 November 2015, the Council of the European Union adopted a Council Directive repealing the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other EU Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the Savings Directive, although it does not impose withholding taxes.

4. Hiring Incentives to Restore Employment Act

The U.S. Hiring Incentives to Restore Employment Act introduced Section 871(m) of the U.S. Internal Revenue Code of 1986 (the "**Code**") which treats a "dividend equivalent" payment as a dividend from sources within the United States. Under Section 871(m), such payments generally would be subject to a 30% U.S. withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a credit or refund from the U.S. Internal Revenue Service (the "**IRS**"). A "dividend equivalent" payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in (i) and (ii). Recently published final U.S. Treasury regulations issued under Section 871(m) (the "**Section 871(m) Regulations**") will, when effective, require withholding on certain non-U.S. holders of the N&C Securities with respect to amounts treated as attributable to dividends from certain U.S. securities. 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, as determined on the N&C Security's issue date 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**"). The Section 871(m) Regulations provide certain exceptions to this withholding requirement, 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 a Specified N&C Security or upon the date of maturity, lapse or other disposition by the non-U.S. holder 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. If the

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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 (i) Specified N&C Securities issued in 2016, but only for dividend equivalent payments made in 2018 or later, and (ii) Specified N&C Securities issued beginning in 2017, for all dividend equivalent payments. If the terms of an N&C Security are subject to a "significant modification" such that the N&C Security is treated as retired and reissued, it could lose its "grandfathered" status and might become a Specified N&C Security based on economic conditions in effect at that time.

Upon the issuance of a series of N&C Securities, the Issuer will state in the Final Terms or Pricing Supplement, as applicable, if it has determined that they are Specified N&C Securities, in which case a non-U.S. holder of the N&C Securities should expect to be subject to withholding in respect of any dividend-paying U.S. securities underlying those N&C Securities. The Issuer's determination is binding on non-U.S. holders of the 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.

Prospective investors should consult their tax advisers regarding the potential application of Section 871(m) to the N&C Securities.

5. Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the Code ("**FATCA**") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the IRS to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. Person or should otherwise be treated as holding a "United States account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer and the Guarantor are classified as FFIs.

The new withholding regime is now in effect for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2019. This withholding would potentially apply to payments in respect of (i) any N&C Securities characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which (A) with respect to N&C Securities that give rise solely to foreign passthru payments, is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payments are filed with the Federal Register and (B) with respect to N&C Securities that give rise to a dividend equivalent pursuant to section 871(m) of the Code, is 1 July 2016, or which are materially modified after the grandfathering date and (ii) any N&C Securities characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If N&C Securities are issued on or before the grandfathering date, and additional N&C Securities of the same series are issued after that date, the additional N&C Securities may not be treated as grandfathered, which may have negative consequences for the existing N&C Securities, including a negative impact on market price.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the United Kingdom have entered into an agreement (the "**US-UK IGA**") based largely on the Model 1 IGA.

If the Issuer and the Guarantor are treated as Reporting FIs pursuant to the US-UK IGA they do not anticipate being obliged to deduct any FATCA Withholding on payments they make. There can be no assurance, however, that the Issuer and the Guarantor will be treated as Reporting FIs, or that they would in the future not be required to deduct FATCA Withholding from payments they make. Accordingly, the Issuer, the Guarantor and financial institutions through which payments on the N&C Securities are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such N&C Securities is made is not

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a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the N&C Securities are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the N&C Securities by the Issuer, the Guarantor, any paying agent and the Common Depositary or common safekeeper, as the case may be, given that each of the entities in the payment chain between the Issuer and with the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the N&C Securities. The documentation expressly contemplates the possibility that the N&C Securities may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive N&C Securities will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the N&C Securities.

Important Notice to Purchasers and Transferees of N&C Securities

IMPORTANT NOTICE TO PURCHASERS AND TRANSFEREES OF N&C SECURITIES

The N&C Securities have not been and will not be registered under the Securities Act or any applicable state securities laws, and trading in the N&C Securities has not been approved by the CFTC under the CEA. No N&C Securities, or interests therein, may at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. Person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. Person.

Offers, sales, resales or deliveries of the N&C Securities, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. Persons would constitute a violation of United States securities laws unless made in compliance with the registration requirements of the Securities Act or any applicable state securities laws or pursuant to an exemption therefrom. In addition, in the absence of relief from the CFTC, offers, sales, resales, transfers, pledges or deliveries of the N&C Securities, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. Persons, may constitute a violation of United States law governing commodities trading.

As used herein, "**United States**" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and "**U.S. Person**" means (i) a "U.S. person" as defined in Regulation S under the Securities Act ("**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**"), (iii) a person other than a "Non-United States person" as defined in CFTC Rule 4.7, or (iv) a "United States person" as defined in the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder, in each case, as such definition may be amended, modified or supplemented from time to time (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) that trading in the N&C Securities has not been and will not be approved by the CFTC under the CEA;
- (b) that it will not at any time offer, sell, resell or deliver, directly or indirectly, any N&C Securities so purchased in the United States or to, or for the account or benefit of, any U.S. Person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. Person;
- (c) that it is not purchasing any N&C Securities for the account or benefit of any U.S. Person;
- (d) that it will not make offers, sales, resales or deliveries of any N&C Securities (otherwise acquired), directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. Person;
- (e) that it will send each Person who purchases N&C Securities from it a written confirmation (which shall include the definitions of United States and U.S. Person set forth herein) stating that the N&C Securities have not been registered under the Securities Act or any applicable state securities laws, that trading in the N&C Securities has not been approved by the CFTC under the CEA and stating that such purchaser agrees that it will not at any time offer, sell, resell or deliver any of such N&C Securities, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. Person; and

that no U.S. Person or person in the United States may at any time trade or maintain a position in the N&C Securities.

Subscription and Sale

SUBSCRIPTION AND SALE

The Dealers have in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the "**Programme Agreement**") dated on or about the date of this Base Prospectus agreed with the Issuer and the Guarantor a basis upon which the Issuer may from time to time agree to issue 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 (failing which, the Guarantor) 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 Final Terms or, in the case of Exempt N&C Securities, 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 Final Terms or, in the case of Exempt N&C Securities, Pricing Supplement may over-allot (provided that, in the case of any Tranche of N&C Securities to be admitted to trading on a regulated market in the European Economic Area, the aggregate principal amount of N&C Securities allotted does not exceed 105.00 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the 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, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of N&C Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the 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. United States of America

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 (as defined below). Except as otherwise provided, terms used in the preceding sentence have the meanings given to them by Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**").

A "**U.S. Person**" means (i) a "U.S. person" as defined in Regulation S under the Securities Act, (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**"), (iii) a person other than a "Non-United States person" as defined in CFTC Rule 4.7, or (iv) a "United States person" as defined in the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder, in each case, as such definition may be amended, modified or supplemented from time to time (each such person, a "**U.S. Person**").

N&C Securities in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. Persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations 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 as part of their distribution at any time within the United States or to, or for the account or benefit of U.S. Persons and only in accordance with Rule 903 of Regulation S, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases N&C Securities from

Subscription and Sale

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.

Interests in the Immobilised Bearer N&C Securities are being offered and sold only outside the United States to persons other than U.S. Persons ("foreign purchasers", which term includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners, other than an estate or trust) pursuant to Regulation S.

The 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, N&C Securities may only be offered and sold in offshore transactions outside the United States to persons that are not U.S. Persons pursuant to Regulation S. Any offer, sale, resale, trade, pledge, redemption, transfer or delivery of Permanently Restricted N&C Securities made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. Person will not be recognised.

Except as otherwise provided, terms used in this United States sub-section of "*Selling Restrictions*" have the meanings given to them by Regulation S.

In addition, until 40 days after the completion of the distribution of all N&C Securities comprising any Tranche, an offer or sale of N&C Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Exempt 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. European Economic Area

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

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

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

For the purposes of this provision:

- the expression an "**offer of N&C Securities to the public**" in relation to any N&C Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the N&C Securities to be offered so as to enable an investor to decide to purchase or subscribe the N&C Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;
- the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

3. United Kingdom

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

- (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 the Financial Services and Markets Act 2000 (the "**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 they were not authorised persons apply to the Issuer or the Guarantor; 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.

4. Ireland

Each Dealer has represented, warranted and agreed that (and each further Dealer appointed under the Programme will be required to represent, warrant and agree that) it has not offered, sold, placed or underwritten and will not offer, sell, place or underwrite the N&C Securities, or do anything in Ireland in respect of the N&C Securities, otherwise than in conformity with the provisions of:

- (a) any rules issued by the Central Bank of Ireland under section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2005 of Ireland, as amended, (the "**2005 Act**");
- (b) the Irish Companies Acts 1963 to 2013, as amended;
- (c) the Irish Central Bank Acts, 1942 to 2014, as amended, and any codes of conduct made under Section 117(1) thereof;
- (d) the European Communities (Markets in Financial Instruments) Regulations 2007 (No.s 1 to 3), as amended, of Ireland and it will conduct itself in accordance with any applicable rules or codes of conduct or practice and, to the extent relevant, any conditions or requirements, or any other enactment, imposed or approved by the Central Bank of Ireland; and
- (e) the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued by the Central Bank of Ireland under section 34 of the 2005 Act,

and that in connection with offers or sales of the N&C Securities, it has only issued or passed on, and will only issue or pass on, in Ireland, any document received by it in connection with the issue of the N&C Securities to persons who are persons to whom the documents may otherwise lawfully be issued or passed on.

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General

The Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, with the Issuer and the Guarantor that it will observe all applicable laws and regulations in any jurisdiction in which it may offer, sell or deliver 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, the Guarantor and the Dealers represents by virtue of this Base Prospectus 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, the Guarantor and the Dealers following a change in a relevant law, regulation or directive. Any such modification will, in the case of Exempt N&C Securities, 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 Issue Terms, 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, Guarantor or the Dealers.

GENERAL INFORMATION

1. Documents Available

So long as N&C Securities are capable of being issued under the Programme, copies of the following documents will, when published, be available for inspection, in physical form, during usual business hours on any week day (Saturdays and public holidays excepted) at the registered office of the Issuer and the Guarantor and at the specified offices of the Paying Agents:

- (i) the articles of association of the Issuer and the Guarantor, the special resolutions dated 25 November 2009 and 18 December 2009 of the Issuer and the Guarantor, respectively, (each a "**Special Resolution**") and the memorandum of the Issuer and the Guarantor (which, in each case, must be read together with the relevant Special Resolution);
- (ii) the (i) audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2014, which appear on pages 99 to 169 (inclusive), and (ii) the Risk Review appearing on pages 24 to 89 (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 2014 (available at: http://www.santander.co.uk/csdlvlr/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLte%2FSANDocument_C%2FSANDocumentPreview&cid=1324581220223);
- (iii) the (i) audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2013, which appear on pages 106 to 183 (inclusive); (ii) Risk Management Report appearing on pages 25 to 96 (inclusive), with the exception of any section which is marked as unaudited; (iii) section entitled "Sources and uses of funding and liquidity" on page 22; and (iv) section entitled "Material Contracts" on page 202; in each case of the Issuer's Annual Report and Accounts for the year ended 31 December 2013 (available at: http://www.santander.co.uk/csdlvlr/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLte%2FSANDocument_C%2FSANDocumentPreview&cid=1324567613695);
- (iv) the (i) risk review appearing on pages 14 to 39 (inclusive) with the exception of any section which is marked as unreviewed; and (ii) unaudited condensed consolidated interim financial statements (including the independent review report to Abbey National Treasury Services plc) appearing on pages 42 to 64 (inclusive), in each case of the Issuer's unaudited half yearly financial report for the six months ended 30 June 2015 (available at: http://www.santander.co.uk/csdlvlr/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLte%2FSANDocument_C%2FSANDocumentPreview&cid=1324581716419);
- (v) the (i) audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2014, which appear on pages 219 to 326 (inclusive), (ii) the Risk Review appearing on page 25 to 144 (inclusive), with the exception of any section which is marked as unaudited, and (iii) the section entitled "Events after the balance sheet date" in the "Director's Report" on page 183; in each case, of the Guarantor's Annual Report and Accounts for the year ended 31 December 2014 (available at: http://www.santander.co.uk/csdlvlr/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLte%2FSANDocument_C%2FSANDocumentPreview&cid=1324581225869); and
- (vi) the (i) audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2013, which appear on pages 201 to 316 (inclusive) (see "Documents Incorporated by Reference" above in relation to subsequent adjustments made to this financial information to reflect the adoption of IFRIC 21); (ii) Risk Management Report appearing on pages 61 to 163 (inclusive), with the exception of any section which is marked as unaudited; (iii) audited information in the "Director's Report" on page 191; (iv) section entitled "UK Government Schemes" on page 57; (v) section entitled "Sources and uses of funding and liquidity" on page 57; and (vi) section entitled "Material Contracts" on page 335; in each case, of the Guarantor's Annual Report and Accounts for the year ended 31 December 2013 (available at: <http://www.aboutsantander.co.uk/documents/sanuk-2013-annual-report.pdf>);

- (vii) the (i) risk review appearing on pages 12 to 81 (inclusive) with the exception of any section which is marked as unreviewed; and (ii) unaudited condensed consolidated interim financial statements (including the independent review report to Santander UK plc) appearing on pages 102 to 135 (inclusive) with the exception of any section which is marked as unreviewed, in each case of the Guarantor's unaudited half yearly financial report for the six months ended 30 June 2015 (available at: http://www.santander.co.uk/csdlv1r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLite%2FSA_NDocument_C%2FSANDocumentPreview&cid=1324581710473);
- (viii) the unaudited consolidated financial information of the Guarantor for the nine months ended 30 September 2015, which appears on page 23 of the Quarterly Management Statement of Santander UK Group Holdings plc for the nine months ended 30 September 2015 (available at: http://www.santander.co.uk/csdlv1r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLite%2FSA_NDocument_C%2FSANDocumentPreview&cid=1324581932784);
- (ix) 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) of the Issuer, as the same may be amended from time to time;
- (x) 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 Guarantor, as the same may be amended from time to time;
- (xi) the Programme Agreement, the Agency Agreement (which contains the forms of Global N&C Securities, N&C Securities in definitive form, Coupons and Talons), the N&C Securities Depository Agreement, the Deed of Covenant and the Guarantee;
- (xii) this Base Prospectus;
- (xiii) any future information memoranda, offering circulars, prospectuses and supplements to this Base Prospectus and any other documents incorporated herein or therein by reference;
- (xiv) in the case of each issue of listed N&C Securities subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document); and
- (xv) Final Terms and Pricing Supplements (in the case of Exempt N&C Securities) (save that Pricing Supplements 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).

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 Final Terms (or Pricing Supplement in the case of Exempt N&C Securities). If the N&C Securities are to clear through an additional or alternative clearance system the appropriate information will be specified in the applicable Final Terms or Pricing Supplement.

The address of Euroclear is 1 Boulevard du Roi Albert II, B.1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J. F. Kennedy, L-1855 Luxembourg. The address of 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 ANTS Group (including the Issuer) since 30 June 2015, being the date of the unaudited condensed consolidated interim financial statements of the Issuer. There has been no significant change in the financial or trading position of the Santander UK Group (including the Guarantor) since 30 September 2015, being the date of the unaudited consolidated financial information of the Guarantor.

There has been no material adverse change in the prospects of the Guarantor or the Issuer since 31 December 2014, being the date of its last published audited consolidated annual financial statements.

4. Litigation

There are not any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or had, in the 12 months prior to the date hereof, a significant effect on the financial position or profitability of the Santander UK Group, the Issuer or the Guarantor and its subsidiaries.

5. Independent Auditors

The consolidated annual financial statements of the Issuer and the Guarantor for the years ended 31 December 2014 and 31 December 2013 herein incorporated by reference have been audited by Deloitte LLP, Chartered Accountants and Registered Auditors and members of the Institute of Chartered Accountants of England and Wales, as stated in the report appearing therein, in accordance with International Standards on Auditing (UK and Ireland) and have been reported on without qualification. The auditors of the Issuer and the Guarantor have no material interest in the Issuer or the Guarantor.

6. U.S. Tax Legend

N&C Securities in bearer form (other than Immobilised Bearer N&C Securities and Temporary Global N&C Securities) and the relevant Coupons or Talons will bear the following legend where TEFRA D is specified as applicable in the applicable Issue Terms:

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

7. Contracts (Rights of Third Parties) Act 1999

The Contracts (Rights of Third Parties) Act 1999 (the "**Act**") provides, *inter alia*, that persons who are not parties to a contract governed by the laws of England and Wales may be given enforceable rights under such contract. Unless specifically provided in the applicable Final Terms (or, in the case of Exempt N&C Securities, Pricing Supplement) to the contrary, this Programme expressly excludes the application of the Act to any issue of N&C Securities under the Programme.

8. Post-Issuance Information

Save as set out in the applicable Final Terms (or, in the case of Exempt N&C Securities, Pricing Supplement), the Issuer does not intend to provide any post-issuance information in relation to any issue of N&C Securities.

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THE GUARANTOR**

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