



**ABBEY NATIONAL TREASURY SERVICES plc**

(INCORPORATED IN ENGLAND WITH LIMITED LIABILITY, REGISTERED NUMBER 2338548)

(AS ISSUER OF SENIOR NOTES)

**U.S.\$20,000,000,000**

**EURO MEDIUM TERM NOTE PROGRAMME**

Unconditionally and irrevocably guaranteed by

**SANTANDER UK plc**

(INCORPORATED IN ENGLAND WITH LIMITED LIABILITY, REGISTERED NUMBER 2294747)

(AS ISSUER OF SUBORDINATED NOTES AND GUARANTOR OF SENIOR NOTES)

Abbey National Treasury Services plc (the "Senior Issuer") and Santander UK plc (the "Subordinated Issuer", and together with the Senior Issuer, the "Issuers" and each an "Issuer") may from time to time issue notes (the "Notes") denominated in any currency as agreed between the relevant Issuer and the relevant Dealer (as defined below) under this U.S.\$20,000,000,000 Euro Medium Term Note Programme (the "Programme"). This Prospectus supersedes the Prospectus dated 5 May, 2010 and is valid for a period of 12 months from the date hereof. Any Notes issued under the Programme by the completion of the Final Terms on or after the date of this Prospectus are issued subject to the provisions hereof. This does not affect any Notes already issued. "Final Terms" means the terms set out in a Final Terms supplement substantially in the form set out in this Prospectus.

This Prospectus has been approved by the United Kingdom Financial Services Authority (the "FSA") which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "Prospectus Directive") and relevant implementing measures in the United Kingdom, as a base prospectus (the "Base Prospectus") issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of the Notes under the Programme during the period of 12 months after the date hereof.

Application has been made to the FSA in its capacity as competent authority (the "UK Listing Authority") under the UK Financial Services and Markets Act 2000 (the "FSMA") for Notes issued under the Programme to be admitted to the official list of the UK Listing Authority (the "Official List"). In respect of Notes to be admitted to the Official List, application has also been made to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market.

The London Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the "Markets in Financial Instruments Directive").

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

Notes may be issued in bearer or registered form (respectively "Bearer Notes" and "Registered Notes"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$20,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

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

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes, and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set out in the applicable Final Terms which, with respect to Notes to be admitted to the Official List and to be admitted to trading on the London Stock Exchange's Regulated Market, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be unlisted or listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer and specified in the Final Terms. In particular, Notes denominated in Australian dollars and issued in the domestic Australian capital markets ("Australian Domestic Notes") may be listed on the Australian Stock Exchange Limited. The Senior Issuer may also issue Notes denominated in Canadian dollars settling and clearing through CDS Clearing and Depository Services Inc. ("CDS") and (if so indicated in the applicable Final Terms) also clearing through Euroclear Bank S.A./N.V. and/or Clearstream Banking, société anonyme ("Canadian Notes").

Any person (an "Investor") intending to acquire or acquiring any securities from any person (an "Offeror") should be aware that, in the context of an offer to the public as defined in section 102B of the FSMA, the relevant Issuer may be responsible to the Investor for the Prospectus under section 90 of the FSMA, only if the relevant Issuer has authorised that Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the relevant Issuer. If the Offeror is not authorised by the relevant Issuer, the Investor should check with the Offeror whether anyone is responsible for the Prospectus for the purposes of section 90 of FSMA in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on the Prospectus and/or who is responsible for its contents it should take legal advice. This paragraph should be read in conjunction with the fifth paragraph on page 2 of this Prospectus. Information in relation to an offer to the public will be made available at the time such sub-offer is made, and such information will be also provided by the relevant Offeror.

See "Risk Factors" (pages 16 to 34) for a discussion of factors which may affect an Issuer's and the Guarantor's ability to fulfil its obligations under Notes issued under the Programme and under the Guarantee, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme, and certain factors to be considered in connection with an investment in Credit Linked Notes, Equity Linked Notes, Index Linked Notes (each as defined herein) or other structured Notes which may be issued under the Programme.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "Securities Act") and may not be offered or sold in the United States or to, or for the benefit of, U.S. persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See "Form of the Notes" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer see "Subscription and Sale and Transfer and Selling Restrictions".

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to the relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EU) No 1060/2009 (the "CRA Regulation") will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June, 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

*Arranger*

**DEUTSCHE BANK**

*Dealers*

BARCLAYS CAPITAL  
BOFA MERRILL LYNCH  
CREDIT SUISSE

GOLDMAN SACHS INTERNATIONAL  
THE HONG KONG AND SHANGHAI BANKING CORPORATION LIMITED  
MORGAN STANLEY  
THE ROYAL BANK OF SCOTLAND

BNP PARIBAS  
CITI  
DEUTSCHE BANK  
HSBC  
J.P. MORGAN CAZENOVE  
SANTANDER GLOBAL BANKING & MARKETS  
UBS INVESTMENT BANK

The date of this Prospectus is 20 April, 2011.

In this document references to “ANTS” are references to Abbey National Treasury Services plc; references to “Santander UK” and the “Guarantor” are references to Santander UK plc; and references to the “ANTS Group” are references to ANTS and its subsidiaries and references to the “Santander UK Group” and the “Group” are references to Santander UK and its subsidiaries. References to the “Issuer” and the “Issuers” are references to ANTS or Santander UK plc (as issuer of the relevant Notes) or each of them as the context requires. References to “Banco Santander” are references to Banco Santander, S.A. and references to the “Banco Santander Group” are references to Banco Santander and its subsidiaries. References to “A&L” are references to Alliance & Leicester plc and references to the “A&L Group” are references to A&L and its subsidiaries.

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

**The previous paragraph should be read in conjunction with the 10th paragraph on the first page of this Prospectus.**

**Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers and the persons named in or identifiable following the applicable Final Terms as the Financial Intermediaries, as the case may be.**

**AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES FROM AN OFFEROR WILL DO SO, AND OFFERS AND SALES OF THE NOTES TO AN INVESTOR BY AN OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE RELEVANT ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH INVESTORS (OTHER THAN THE DEALERS) IN CONNECTION WITH THE OFFER OR SALE OF THE NOTES AND, ACCORDINGLY, THIS PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION AND AN INVESTOR MUST OBTAIN SUCH INFORMATION FROM THE OFFEROR.**

**Neither the Dealers nor the Trustee have 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 or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuers or the Guarantor in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuers or the Guarantor in connection with the Programme.**

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

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

**Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuers 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 and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference in this Prospectus when deciding whether or not to purchase any Notes.

The Notes 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 or for the account or benefit of U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the U.S. Treasury regulations promulgated thereunder.

To ensure compliance with Treasury Department Circular 230, Noteholders are hereby notified that: (a) any discussion of federal tax issues in this document is not intended or written to be relied upon, and cannot be relied upon, by Noteholders for the purpose of avoiding penalties that may be imposed on Noteholders under the Internal Revenue Code; (b) such discussion is included herein by the Issuers in connection with the promotion or marketing (within the meaning of Circular 230) by the Issuers of the transactions and matters addressed herein; and (c) Noteholders should seek advice based on their particular circumstances from an independent tax advisor.

Notwithstanding anything in this Prospectus to the contrary, each prospective investor (and each employee, representative or other agent of the prospective investor) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of any offering and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective investor relating to such U.S. tax treatment and U.S. tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws.

Persons into whose possession offering material comes must inform themselves about and observe any such restrictions. This 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.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers, the Guarantor, the Dealers and the Trustee do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering, or that all actions have been taken by the Issuers, the Guarantor, the Dealers or the Trustee which would permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. In particular, no action has been taken by the Issuers, the Guarantor, the Dealers or the Trustee which would permit a public offering of any Notes outside the European Economic Area or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Australia, Canada, Japan, Hong Kong and Singapore, see "Subscription and Sale and Transfer and Selling Restrictions".

This Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to

Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State, such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, none of the Issuer, the Guarantor nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the relevant Issuer or any Dealer to publish or supplement a prospectus for such offer.

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

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

Each of the Australian Registrar and the Canadian Agent has consented to being named under the Prospectus in the form in which its respective name appears, but has no liability in respect of the Prospectus.

This Prospectus has not been and will not be lodged with the Australian Securities and Investments Commission and is not and does not purport to be a document containing disclosure to investors, for the purposes of Part 6D.2 or Part 7.9 of the Corporations Act 2001 of the Commonwealth of Australia (“Australia”) (the “Corporations Act 2001”). It is not intended to be used in connection with any offer for which such disclosure is required and does not contain all the information that would be required by those provisions if they applied. It does not take into account the objectives, financial situation or needs of any potential investor and is not to be provided to any “retail client” as defined in section 761G of the Corporations Act 2001.

This Prospectus is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities referred to in this document in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this Prospectus or the merits of the securities described herein and any representation to the contrary is an offence. This Prospectus may not be distributed or delivered in Canada or to any resident of Canada other than in compliance with applicable securities laws in the relevant province or territory of Canada.

## U.S. INFORMATION

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

This Prospectus may be distributed on a confidential basis in the United States to a limited number of QIBs (as defined under “Form of the Notes”) for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Registered Notes may be offered or sold within the United States only to QIBs in transactions exempt from the registration requirements under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act (“Rule 144A”).

Each purchaser or holder of Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together “Restricted Notes”) will be deemed, by its acceptance or purchase of any such Restricted Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in “Subscription and Sale and Transfer and Selling Restrictions”. Unless otherwise stated, terms used in this paragraph have the meanings given to them in “Form of the Notes”.

## NOTICE TO NEW HAMPSHIRE RESIDENTS

Neither the fact that a registration statement or an application for a licence has been filed under Chapter 421-B of the New Hampshire revised statutes with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State of New Hampshire that any document filed under Chapter 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

## AVAILABLE INFORMATION

If the Guarantor ceases to be a reporting company under the Exchange Act (as defined below), to permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, each Issuer has undertaken in the Trust Deed to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, such Issuer and the Guarantor are neither reporting companies under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the “Exchange Act”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. The Guarantor is currently a reporting company under the Exchange Act.

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

ANTS and the Guarantor are companies incorporated in England. All of their directors reside outside the United States and all or a substantial portion of the assets of each Issuer and the Guarantor are located outside the United States. As a result, it may not be possible for investors to effect service of process outside England upon an Issuer or the Guarantor, or to enforce judgments against them obtained in the United States predicated upon civil liabilities of the relevant Issuer or the Guarantor or

such directors under laws other than English, including any judgment predicated upon United States federal securities laws. The Issuers and the Guarantor have been advised by Slaughter and May, their English solicitors, that there is doubt as to the enforceability in England in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

All references in this document to “U.S. dollars”, “U.S.\$” and “\$” are to the currency of the United States of America, to “Sterling” and “£” are to the currency of the United Kingdom, to “Australian dollars” and “A\$” are to the currency of Australia, to “Canadian dollars” and “C\$” are to the currency of Canada and to “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.

From 1 January, 2005 each of the Issuers and the Guarantor maintains its financial books and records and prepares its financial statements in Sterling in accordance with International Financial Reporting Standards (“IFRS”) as approved by the International Accounting Standards Board (“IASB”), interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that, under European Regulations, are effective and available for early adoption at the Group’s reporting date. The Group has complied with IFRS as issued by the IASB in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union.

## **BANKING ACT OF AUSTRALIA**

Abbey National Treasury Services plc (Issuer of the Australian Domestic Notes) is not a bank which is authorised under the Banking Act 1959 of Australia. The Australian Domestic Notes are not the obligations of any government and, in particular are not guaranteed by the Commonwealth of Australia.

## **BANK ACT (CANADA)**

None of the Issuers or the Guarantor is regulated as a financial institution in Canada. The Issuers and the Guarantor are not member institutions of the Canada Deposit Insurance Corporation. The liability incurred by an Issuer or the Guarantor through the issuance and sale of Canadian Notes (as defined herein) is not a deposit.

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

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been approved by the FSA or filed with it shall be incorporated in, and form part of, this Prospectus and the Base Prospectus set out in this Prospectus and approved by the FSA for the purpose of the Prospectus Directive:

- (1) the audited consolidated annual financial statements of ANTS for the financial year ended 31 December, 2010, which appear on pages 11 to 113 of ANTS' Annual Report and Accounts for the year ended 31 December, 2010;
- (2) the audited consolidated annual financial statements of ANTS for the financial year ended 31 December, 2009, which appear on pages 10 to 80 of ANTS' Annual Report and Accounts for the year ended 31 December, 2009;
- (3) the (i) audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December, 2010, which appears on pages 149 to 262 and pages 67 to 134 of the Guarantor's Annual Report and Accounts for the year ended 31 December, 2010, except as marked as "unaudited" on pages 92 and 93 and the Operational Risk and Other Risks sections on pages 121 to 123; (ii) the "Business Review – Divisional Results", the unaudited table titled "Trading profit before tax by segment" on page 25 of the Guarantor's Annual Report and Accounts for the year ended 31 December, 2010; (iii) the sections entitled "Bank of England Special Liquidity Scheme" and "UK Government 2008 Credit Guarantee Scheme" on page 64 of the Guarantor's Annual Report and Accounts for the year ended 31 December, 2010; and (iv) the audited information in the Directors' Report which appears on pages 141 to 143 of the Guarantor's Annual Report and Accounts for the year ended 31 December, 2010;
- (4) the audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December, 2009, which appear on pages 99 to 188 of the Guarantor's Annual Report and Accounts for the year ended 31 December, 2009;
- (5) the audited information in the Directors' Report on page 92, except the paragraph entitled "Bank Payroll tax", of the Guarantor's Annual Report and Accounts for the year ended 31 December, 2009;
- (6) the audited information in the Risk Management Report on pages 49 to 85 of the Guarantor's Annual Report and Accounts for the year ended 31 December, 2009;
- (7) the unaudited table titled "Personal Financial Services profit before tax by segment" on page 19 of the "Business Review – Personal Financial Services" section of the Guarantor's Annual Report and Accounts for the year ended 31 December, 2009;

provided also that any statement contained in a document all or the relevant portion of which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in this 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 Prospectus.

In addition to the above, the following Terms and Conditions of the Notes shall be incorporated by reference in, and form part of, this Prospectus:

- (8) the Terms and Conditions of the Notes set out on pages 26 to 51 of the Information Memorandum dated 29 March, 2004;
- (9) the Terms and Conditions of the Notes set out on pages 26 to 52 of the Information Memorandum dated 11 April, 2005;
- (10) the Terms and Conditions of the Notes set out on pages 34 to 59 of the Information Memorandum dated 5 August, 2005;
- (11) the Terms and Conditions of the Notes set out on pages 36 to 63 of the Prospectus dated 22 June, 2006;
- (12) the Terms and Conditions of the Notes set out on pages 36 to 63 of the Prospectus dated 18 May, 2007;
- (13) the Terms and Conditions of the Notes set out on pages 50 to 79 of the Prospectus dated 26 March, 2008;



- (14) the Terms and Conditions of the Notes set out on pages 54 to 85 of the Prospectus dated 14 April, 2009; and
- (15) the Terms and Conditions of the Notes set out on pages 61 to 93 of the Prospectus dated 5 May, 2010.

Any statement contained herein or in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this 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 of the relevant portion of which is incorporated by reference by way of a supplement proposed 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 Prospectus.

Copies of the documents incorporated by reference in this Prospectus, listed in (1) to (15) above, can be obtained without charge from the RNS website.

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

The Issuers and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes. The Issuers and the Guarantor have undertaken to the Dealers in the Programme Agreement (as defined in “Subscription and Sale and Transfer and Selling Restrictions” herein) that they will comply with section 87G of the FSMA.

## SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Prospectus and any decision to invest in any Notes should be based on a consideration of this Prospectus as a whole, including any documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area no civil liability will attach to the Responsible Persons in any such Member State solely on the basis of this summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus 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 Prospectus before the legal proceedings are initiated.

*Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this summary.*

<b>Issuers:</b>	Abbey National Treasury Services plc (including any Designated Branch) Santander UK plc
<b>Guarantor:</b>	Santander UK plc
<b>Description of Issuers and Guarantor:</b>	The Guarantor is the parent company of the Santander UK Group which provides financial services in the U.K. The Guarantor was incorporated in England and Wales in 1988. ANTS is a wholly owned subsidiary of the Guarantor and was incorporated in England and Wales in 1989. The Guarantor and the Issuers form part of the Banco Santander Group.
<b>Risk Factors:</b>	There are certain factors that may affect the Issuers’ and the Guarantor’s ability to fulfil their obligations under Notes issued under the Programme. These are set out under “ <i>Risk Factors – Business Risk Factors</i> ” below and include risks concerning (i) the creditworthiness of the Issuer and the Guarantor, (ii) general economic conditions, (iii) competition in the financial services industry, (iv) regulatory and legislative change and (v) operational risks. In addition, there are certain factors set out under “ <i>Risk Factors – Risks relating to the Notes</i> ” below which are material for the purpose of assessing the market risks associated with Notes issued under the Programme, including (i) there being no assurance that a trading market for the Notes will develop or be maintained, (ii) that the Notes may be redeemed prior to their maturity, (iii) the fact that the Notes are subject to certain transfer restrictions, (iv) that the Issuer and Guarantor may rely on paying agents and clearing systems, (v) that the Subordinated Issuer’s obligations under the Subordinated Notes are subordinated and (vi) the loss of all or part of a Noteholder’s initial investment or anticipated return due, <i>inter alia</i> , to Notes bearing a fixed-to-floating (or floating-to-fixed) rate of interest, an inverse floating rate of interest, a capped or variable rate of interest or to payments of principal or interest on Notes being determined by reference to an index, formula, asset or other reference factor, as specified in the applicable Final Terms.
<b>Description:</b>	Euro Medium Term Note Programme
<b>Arranger:</b>	Deutsche Bank AG, London Branch
<b>Dealers:</b>	Banco Santander, S.A. Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch Goldman Sachs International The Hongkong and Shanghai Banking Corporation Limited

HSBC Bank plc  
J.P. Morgan Securities Ltd.  
Merrill Lynch International  
Morgan Stanley & Co. International plc  
The Royal Bank of Scotland plc  
UBS Limited

and any other Dealers appointed in accordance with the Programme Agreement.

**Certain Restrictions:**

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “Subscription and Sale and Transfer and Selling Restrictions”).

**Australian dollars**

Notes denominated in Australian dollars may only be issued in the Australian domestic capital markets by entities which are authorised as banks in their home jurisdiction in accordance with the directive issued by the Assistant Treasurer of the Commonwealth of Australia dated 23 September, 1996 as contained in the Banking (Exemption) Order No. 82 which requires all offers and any transfers which occur in Australia of such Notes to be for a consideration of at least A\$500,000.

ANTS may issue Notes denominated in Australian dollars in the Australian domestic capital markets (“Australian Domestic Notes”) in accordance with these requirements.

Australian Domestic Notes:

- will be issued in registered, uncertificated (or inscribed) form, constituted by the Deed Poll dated on or around 14 April, 2009 executed by ANTS and governed by the laws of New South Wales, Australia (as amended, supplemented or replaced from time to time) (the “Deed Poll”) and take the form of entries on a register to be maintained by Computershare Investor Services Pty Limited (ABN 48 078 279 277) or such other Australian registrar appointed by ANTS and specified in the applicable Final Terms (the “Australian Registrar”);
- will provide for payments of principal and interest to be made in Australia;
- will provide for ANTS to submit to the jurisdiction of the courts of New South Wales and appoint Dabserv Corporate Services Pty Limited (ABN 73 001 824 111) (or such other person specified in the applicable Final Terms) as its agent for the service of process in New South Wales;
- may be listed on the Australian Stock Exchange Limited; and
- will be eligible for lodgement into the Austraclear System operated by Austraclear Limited (ABN 94 002 060 773).

The requirements of the Banking (Exemption) Order No. 82 do not apply to transfers of Australian Domestic Notes which occur outside Australia.

It is not intended that Santander UK will issue Australian Domestic Notes.

**Canadian dollars**

Subject to any applicable laws and regulations, under the Programme ANTS may issue Notes denominated in Canadian

dollars settling and clearing through the clearing system operated in Canada by CDS and (if so indicated in the applicable Final Terms) also clearing through Euroclear and/or Clearstream, Luxembourg (“Canadian Notes”). Canadian Notes will be issued in registered form, represented by certificates, each certificate representing one or more Notes registered in the name of the recorded holder of such Canadian Notes. Canadian Notes will be issued under a sub-paying agency agreement (the “Sub-Paying Agency Agreement”) dated 5 May, 2010 between ANTS, the Guarantor, the Principal Paying Agent, the Registrar, BNY Trust Company of Canada (the “Canadian Agent”) and the Trustee, and pursuant to such other additional documentation as ANTS considers appropriate and in agreement with the Programme documents, and will have the benefit of the Trust Deed.

It is not intended that Santander UK will issue Canadian Notes.

<b>Trustee:</b>	The Law Debenture Trust Corporation p.l.c.
<b>Issuing and Principal Paying Agent:</b>	Citibank, N.A., London.
<b>Registrar:</b>	Citigroup Global Markets Deutschland AG.
<b>Programme Size:</b>	Up to U.S.\$20,000,000,000 (or its equivalent) outstanding at any time. The Issuers and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	The Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Any currency indicated in the applicable Final Terms.
<b>Redenomination:</b>	The applicable Final Terms may provide that certain Notes may be redenominated in euro and will detail the relevant provisions applicable to any such redenomination, and any renominatisation, reconventioning and/or consolidation with other Notes denominated in euro.
<b>Maturities:</b>	Subject to any applicable legal or regulatory restrictions and the rules from time to time of any relevant central bank (or equivalent body), such maturity as indicated in the applicable Final Terms.
<b>Issue Price:</b>	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes:</b>	<p>The Notes will be issued in bearer or registered (or inscribed) form as described in “Form of the Notes”. Notes issued in bearer form may also be issued in new global note (NGN) form. Registered Notes will not be exchangeable for Bearer Notes or <i>vice versa</i>.</p> <p>Australian Domestic Notes will take the form of entries in a register maintained by the Australian Registrar.</p> <p>Canadian Notes will be issued in registered form.</p>
<b>Fixed Rate Notes:</b>	Interest on Fixed Rate Notes will be payable on such date or dates as indicated in the applicable Final Terms and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.
<b>Floating Rate Notes:</b>	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ol style="list-style-type: none"><li>(1) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and</li></ol>

Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

- (2) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (3) on such other basis as indicated in the applicable Final Terms.

The Margin (if any) relating to such floating rate will be indicated in the applicable Final Terms.

**Index Linked Notes:**

Payments of principal and/or interest in respect of Index Linked Notes will be calculated by reference to a single index or a basket of indices and/or formula or to changes in the prices of securities or commodities, or to such other factors as indicated in the applicable Final Terms.

**Credit Linked Notes, Equity Linked Notes and other structured Notes:**

Payments of principal and/or interest in respect of Credit Linked Notes, Equity Linked Notes and other structured Notes will be calculated by reference to the price, value, performance or some other factor relating to one or more Reference Assets and/or the creditworthiness of, performance of obligations by or some other factor relating to one or more Reference Entities, as set out in the applicable Final Terms. Credit Linked Notes, Equity Linked Notes and other structured Notes may be issued as Cash-Settled Notes or Physically-Settled Notes or a combination of both, as set out in the applicable Final Terms.

**Other provisions in relation to Floating Rate Notes and Variable Interest Notes:**

Floating Rate Notes and Variable Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Variable Interest Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as indicated in the applicable Final Terms.

**Change of interest/payment basis:**

Notes may be converted from one interest and/or payment basis to another if so provided in the applicable Final Terms.

**Dual Currency Notes:**

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as indicated in the applicable Final Terms.

**Variable Notes:**

Index Linked Redemption Notes, Credit Linked Redemption Notes, Equity Linked Redemption Notes, Dual Currency Notes and other Notes where the Redemption Amount is variable are referred to as "Variable Redemption Notes". Index Linked Interest Notes (together with Index Linked Redemption Notes, "Index Linked Notes"), Credit Linked Interest Notes (together with Credit Linked Redemption Notes, "Credit Linked Notes"), Equity Linked Interest Notes (together with Equity Linked Redemption Notes, "Equity Linked Notes") and other Notes (excluding Floating Rate Notes) where the rate of interest is variable are referred to as "Variable Interest Notes". Variable Redemption Notes and Variable Interest Notes are collectively referred to as "Variable Notes".

**Zero Coupon/Discount Notes:**

Zero Coupon Notes and Discount Notes will be offered and sold at a discount to their nominal amount and, in the case of Zero Coupon Notes, will not bear interest.

**Non-Interest Bearing Notes:**

Non-Interest Bearing Notes are Variable Redemption Notes which do not bear interest. Such Notes do not have a Stated Yield.

<b>Partly-Paid Notes:</b>	Notes may be issued on a partly-paid basis in which case interest will accrue on the paid-up amount of such Notes or on such other basis as may be agreed between the relevant Issuer and the relevant Dealer and indicated in the applicable Final Terms.
<b>Redemption:</b>	<p>The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default or a credit event) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity or automatically upon the occurrence of certain specified events and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer and indicated in the applicable Final Terms.</p> <p>The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.</p>
<b>Denomination of Notes:</b>	<p>Notes will be issued in such denominations as indicated in the applicable Final Terms save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency see “Certain Restrictions – Notes having a Maturity of less than one year” in this Summary.</p> <p>No sales of Restricted Notes in the United States to any one purchaser will be for less than U.S.\$100,000.</p> <p>Non principal protected Variable Notes issued by ANTS will have a minimum denomination of Euro 50,000.</p> <p>Although there is no minimum denomination for Australian Domestic Notes, the minimum subscription price for Australian Domestic Notes will be A\$500,000 (disregarding moneys lent by ANTS or its associates) unless the offer otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Corporations Act. The issue must also comply with the Bank (Exemption) Order No. 82 promulgated under the Banking Act 1959 of the Commonwealth of Australia (to the extent applicable) (which requires all offers and any transfers which occur in Australia of Australian Domestic Notes to be for a consideration of at least A\$500,000) and any other applicable laws, regulations or directives.</p>
<b>Taxation:</b>	All payments in respect of the Notes will be made without withholding of or deduction for or on account of taxes imposed by the relevant tax jurisdiction, subject as provided in Condition 8. In the event that any such withholding or deduction is required by law, the relevant Issuer or, as the case may be, the Guarantor will, save in certain circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
<b>Status of the Senior Notes:</b>	The Senior Notes will constitute direct, unconditional and unsecured obligations of the relevant Issuer and will rank without preference among themselves and, subject as aforesaid, <i>pari passu</i> with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors’ rights.
<b>Status of the Subordinated Notes:</b>	The Subordinated Notes will be direct, unsecured, subordinated obligations of the Subordinated Issuer and will rank <i>pari passu</i> and without any preference among themselves. The rights of holders of

Subordinated Notes will be subordinated in right of payment in the manner provided in the Trust Deed and as specified in Condition 3(b)(i).

**Guarantee:** The Senior Notes will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under such guarantee will constitute direct, unconditional and unsecured obligations of the Guarantor and will rank without any preference among themselves and, subject as aforesaid, *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors' rights.

**Rating:** The rating of the Notes to be issued under the Programme will be specified in the applicable Final Terms.

**Listing:** Application has been made for Notes issued under the Programme to be admitted to the Official List and trading on the London Stock Exchange's Regulated Market. The Notes may also be listed on such other or further stock exchange(s) as indicated in the applicable Final Terms in relation to each Series. In particular, Australian Domestic Notes may be listed on the Australian Stock Exchange Limited.

Unlisted Notes may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

**Governing Law:** The Notes and any non-contractual obligations arising out of or in connection therewith will be governed by, and construed in accordance with, English law except that Australian Domestic Notes will be governed by, and construed in accordance with, the laws of New South Wales, Australia.

**Selling Restrictions:** There are restrictions on the offer, sale and transfer of Notes in certain jurisdictions, including in the United States, the European Economic Area, the United Kingdom, Australia, Canada, Japan, Hong Kong and Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see "Subscription and Sale and Transfer and Selling Restrictions").

*Neither the Trust Deed constituting the Notes nor the Terms and Conditions of the Notes will contain any negative pledge covenant by either of the Issuers or any events of default other than those set out in Condition 10 (which do not include, inter alia, a cross default provision).*

## RISK FACTORS

*The Issuers and the Guarantor believe that the following factors may affect their ability to fulfil their respective obligations under the Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuers and the Guarantor are not in a position to express a view on the likelihood of any such contingency occurring. In addition, risk factors which are specific to the Notes are also described below.*

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

*Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Prospectus have the same meanings in this section.*

### Business Risk Factors

In this context the following specific risks have been identified as areas of focus:

#### 1. Risk factors relating to the Senior Issuer

The Senior Issuer is a wholly-owned subsidiary of the Guarantor, which is an indirect wholly-owned subsidiary of Banco Santander. The principal activity of the Senior Issuer is to provide treasury, corporate and wholesale banking services. As part of this activity the Senior Issuer provides a treasury function, incorporating liquidity, funding, capital and risk management products to the Guarantor. It also provides treasury services, supplying products and risk management services for other financial services companies, and corporate banking services principally to small and medium sized UK companies. As a result, the Senior Issuer’s ability to meet and perform its obligations may be affected by any inability of third parties to perform obligations owed to the Senior Issuer.

#### 2. Risk factors relating to the Issuers, the Guarantor and the Group

The Group provides a comprehensive range of personal financial services, including savings and investments, mortgages, unsecured lending, banking, pensions, life and general insurance products to customers throughout the UK. In addition, the Group provides offshore operations in certain jurisdictions. As a result, the Guarantor’s ability to meet and perform its obligations may be affected by the performance of the Group.

#### *The Group’s results may be materially impacted by economic conditions in the UK*

The Group’s business activities are concentrated in the UK and on the offering of mortgage related products and services. As a consequence, the Group’s business, financial condition and/or results of operations are significantly affected by economic conditions in the UK generally, and by the UK property market in particular. In 2008 and 2009, the UK property market suffered a significant correction as a consequence of housing demand being constrained by a combination of subdued earnings growth, greater pressure on disposable income, rising unemployment, a decline in the availability of mortgage finance and the continued effect of global market volatility. In 2010, there was some improvement in UK property market conditions, but the number of loans approved for house purchase remains low relative to the experience of the past decade.

UK economic conditions and uncertainties may have an adverse effect on the quality of the Group’s loan portfolio and may result in a rise in delinquency and default rates. There can be no assurance that the Group will not have to increase its provisions for loan losses in the future as a result of increases in non-performing loans or for other reasons beyond its control. Any increases in the Group’s provisions for loan losses and write-offs/charge-offs could have a material adverse effect on the Group’s business, financial condition and/or results of operations.

Although the UK economy has begun to show signs of recovery from the recession that followed in the wake of the financial crisis, the economic recovery remains fragile and consumer sentiment remains weak amid concerns of a possible “double-dip” recession precipitated by (amongst



other things) the UK Government's emergency budget and the possibility of rising interest rates in the face of persistent inflation above the Bank of England's target rate of 2.00 per cent. The housing market correction in the UK combined with increasing unemployment continue to adversely affect the credit performance of real estate related exposures, including both residential mortgages and loans to the real estate sector by Corporate Banking, resulting in impairments of asset values by financial institutions, including the Group. These conditions may continue to affect consumer confidence levels and may cause further adverse changes in payment patterns, causing increases in delinquencies and default rates, which may impact the Group's provision for credit losses and write-offs/charge-offs.

UK Government measures to tackle the record levels of national debt, including taxation rises and the £81 billion of public spending cuts announced in the Government Spending Review in October 2010, are also likely to result in a slower recovery than other recent recessions. Political involvement in the regulatory environment and the major financial institutions in which the UK Government has a direct financial interest will continue. UK Government demands for financial institutions to increase lending to support the economic recovery will increase competition for deposits, potentially narrowing margins.

The combination of slow economic recovery, UK Government intervention and competition for deposits will maintain the pressure on the Group's retail business model. Credit quality may improve in some sectors as the economy returns to growth but could be adversely affected by any increase in unemployment. These negative conditions in the UK, together with any related significant reduction in the demand for the Group's products and services, could have a material adverse effect on the Group's business, financial condition and/or results of operations.

***The Group's business, financial condition and /or results of operations may be negatively affected by conditions in global financial markets***

The extreme volatility and disruption in global capital and credit markets over the past three years has led to severe dislocation of financial markets around the world, unprecedented reduced liquidity and increased credit risk premiums for many market participants. This has caused severe problems at many of the world's largest commercial banks, investment banks and insurance companies, a number of which are the Group's counterparties or customers in the ordinary course of business. These conditions have also resulted in a material reduction in the availability of financing, both for financial institutions and their customers, compelling many financial institutions to rely on central banks and governments to provide liquidity and, in some cases, additional capital during this period. Governments around the world have sought to provide this liquidity in order to stabilise financial markets and prevent the failure of financial institutions.

Although these conditions have eased to some extent since 2009, the volatility of the capital and credit markets has continued and liquidity problems remain, exacerbated recently by fears concerning the financial health of a number of European governments. The continuing sovereign debt concerns and fiscal deterioration in relation to certain European countries may continue to accentuate the existing disruption in the capital and credit markets. The continuing market instability and reduction of available credit have contributed to decreasing consumer confidence, increased market volatility, increased funding costs, reduced business activity and, consequently, increasing commercial and consumer loan delinquencies, and market value declines on debt securities held by the Group, all of which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

***The Group's risk management measures may not be successful***

The management of risk is an integral part of all of the Group's activities. Risk constitutes the Group's exposure to uncertainty and the consequent variability of return. Specifically, risk equates to the adverse effect on profitability or financial condition arising from different sources of uncertainty including credit risk (retail), credit risk (wholesale), credit risk (corporate) market risk, operational risk, securitisation risk, non-traded market risk, concentration risk, liquidity and funding risk, reputational risk, strategic risk, pension obligation risk, residual value risk and regulatory risk. The Group seeks to monitor and manage its risk exposure through a variety of separate but complementary financial, credit, market, operational, compliance and legal reporting systems. While the Group employs a broad and diversified set of risk monitoring and risk mitigation techniques, such techniques, and the judgments that accompany their application, cannot anticipate every unfavourable event or the specifics and timing of every outcome. Accordingly, the Group's ability to successfully identify and balance risks and rewards, and to manage all material risks, is important. Failure to manage such risks appropriately could have a significant effect on the Group's business, financial

condition and/or results of operations. For example, failure to manage the credit risk (retail) associated with mortgage lending could result in the Group making mortgage loans outside of appropriate risk parameters and potentially resulting in higher levels of default or delinquency on the Group's mortgage loan assets.

***Risks concerning borrower credit quality are inherent in the Group's business***

Risks arising from changes in credit quality and the recoverability of loans and amounts due from borrowers and counterparties are inherent in a wide range of the Group's businesses. Adverse changes in the credit quality of the Group's borrowers and counterparties as a result of a general deterioration in UK or global economic conditions, or arising from systemic risks in the financial system, could reduce the recoverability and value of the Group's assets and require an increase in the Group's level of provisions for bad and doubtful debts.

The Group estimates and establishes reserves for credit risks and potential credit losses inherent in its credit exposure. This process, which is critical to its results and financial condition, requires difficult, subjective and complex judgments, including forecasts of how these economic conditions might impair the ability of its borrowers to repay their loans. As is the case with any such assessments, the Group may fail to estimate accurately the impact of factors that it identifies. Any such failure may have a material adverse impact on the Group's business, financial condition and/or results of operations.

***The soundness of other financial institutions could materially and adversely affect the Group's business***

The Group's ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness or perceived commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. The Group has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual funds and other institutional clients. Defaults by, or even rumours or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses for the Group or other institutions as well as increased funding costs. Many transactions expose the Group to credit risk in the event of default of the Group's counterparty or client. In addition, the Group's credit risk may be exacerbated when the collateral held by the Group cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to the Group. There is no assurance that any such losses would not materially and adversely affect the Group's business, financial condition and/or results of operations.

***Risks associated with liquidity and funding are inherent in the Group's business***

Liquidity risk is the risk that the Group, although solvent, either does not have available or sufficient financial resources to enable it to meet its obligations as they fall due or can secure them only at excessive cost. This risk is inherent in any retail and commercial banking business and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. While the Group has implemented liquidity management processes to seek to mitigate and control these risks, unforeseen systemic market factors in particular make it difficult to eliminate completely these risks. Adverse and continued constraints in the supply of liquidity, including inter-bank lending, has affected and may materially and adversely affect the cost of funding the Group's business and extreme liquidity constraints may affect the Group's current operations as well as limit growth possibilities. Such events may also have a material adverse effect on the market value and liquidity of bonds issued by the Group in the secondary markets. From 2007 to 2010, the prime residential mortgage securitisation and covered bond markets experienced severe disruption as a result of a material reduction in investor demand for these securities. These markets, which are important sources of funding for the Group, remain relatively constrained for new external issuances of securities. Global investor confidence also remains low and other forms of wholesale funding remain relatively scarce.

Continued or worsening disruption and volatility in the global financial markets could have a material adverse effect on the Group's ability to access capital and liquidity on financial terms acceptable to it. 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 with a view to attracting more customers, and/or to sell assets, potentially at depressed prices. While central banks around the

world have made coordinated efforts to increase liquidity in the financial markets by taking measures such as increasing the amounts they lend directly to financial institutions, lowering interest rates and significantly increasing temporary reciprocal currency arrangements (or swap lines), it is not known how long central bank schemes will continue or on what terms. The Bank of England has indicated that the Special Liquidity Scheme will not be extended when it expires in January 2012. It is also possible that the Bank of England will raise interest rates in the near-term, thereby increasing the cost of the Group's funding. The persistence or worsening of these adverse market conditions and the withdrawal of such central bank schemes or an increase in base interest rates, could have a material adverse effect on the Group's ability to access liquidity and cost of funding (whether directly or indirectly).

The Group relies, and will continue to rely, primarily on retail deposits to fund 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 retail depositors in the economy, in general, and the financial services industry in particular, and the availability and extent of deposit guarantees, as well as competition between banks for deposits. Any of these factors could significantly increase the amount of retail deposit withdrawals in a short period of time, thereby reducing the Group's ability to access retail deposit funding on appropriate terms, or at all, in the future. If these circumstances were to arise, this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

***Any reduction in the credit rating assigned to the Group, any member of the Group or to any of their respective debt securities could increase the Group's cost of funding and liquidity position and adversely affect its interest margins***

Credit ratings affect the cost and other terms upon which the Group is able to obtain funding. Rating agencies regularly evaluate the Group and certain members of the Group, as well as their respective debt securities. Their ratings are based on a number of factors, including the financial strength of the Group or of the relevant member, as well as conditions affecting the financial services industry generally. There can be no assurance that the rating agencies will maintain the Group's or the relevant member's current ratings or outlook, especially in light of the difficulties in the financial services industry and the financial markets. Any reduction in those ratings and outlook could increase the cost of the Group's funding, limit access to capital markets, and require additional collateral to be placed, and consequently, adversely affect the Group's interest margins and/or affect its liquidity position.

***Fluctuations in interest rates, bond and equity prices and other market factors are inherent in the Group's business***

The Group faces significant interest rate and bond and equity price risks. Fluctuations in interest rates could adversely affect the Group's operations and financial condition in a number of different ways. An increase in interest rates generally may decrease the relative value of the Group's fixed rate loans and raise the Group's funding costs, although it would increase income from variable rate loans. Such an increase could also generally decrease the relative value of fixed rate debt securities in the Group's securities portfolio. In addition, an increase in interest rates may reduce overall demand for new loans and increase the risk of customer default, while general volatility in interest rates may result in a gap between the Group's interest rate-sensitive assets and liabilities. Interest rates are sensitive to many factors beyond the Group's control, including the policies of central banks, including, in particular, the Bank of England, as well as domestic and international economic conditions and political factors. It remains difficult to predict any changes in economic or financial market conditions, although there is increasing speculation that the Bank of England may have to increase interest rates in the near-term due to concerns over persistent inflation above the bank's target rate of 2.00 per cent.

Dramatic declines in housing markets over the past three years have adversely affected the credit performance of real estate-related loans and resulted in write-downs of asset values by many financial institutions (including the Group). These write-downs, initially of asset-backed securities but spreading to other securities and loans, have caused many financial institutions to seek additional capital, to reduce or eliminate dividends, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced funding to borrowers, including to other financial institutions. As a result of these market forces, volatility in interest rates and basis spreads has increased, which has increased the Group's borrowing costs, while decreasing values of

global debt and equity markets have had an adverse effect on the value of the Group's portfolio of mortgage-backed securities and other asset-backed securities issued by Banco Santander entities held for yield and liquidity purposes.

Any further increase in capital markets funding costs or deposit rates could precipitate a re-pricing of loans to customers, which could result in a reduction of volumes, and could also have an adverse effect on the Group's interest margins. While the Group would also expect to increase lending rates, there can be no assurance that it would be able to offset in full or at all its funding costs and, in addition, may face competitive pressure to pass on interest rate rises to retain existing and capture new customer deposits.

The Group also sponsors a number of defined benefit staff pension schemes, and its obligations to those schemes may increase depending on the performance of financial markets. Although the Group is undertaking measures to mitigate and control the effects of these conditions, there can be no assurances that such controls will insulate the Group from deteriorating market conditions.

Changes in foreign exchange rates affect the value of assets and liabilities denominated in foreign currencies, and such changes, and the degree of volatility with respect thereto, may affect earnings reported by the Group.

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

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

The Group has material exposures to securities 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 or prospects.

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

***A core strategy of Santander UK is to grow the Group's operations and it may not be able to manage such growth effectively, which could have an adverse impact on its profitability***

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

***The Group may incur unanticipated losses related to its business combinations***

The Group has made several recent business acquisitions, including the acquisition of A&L and the retail deposits, branch network and related employees of Bradford & Bingley. In October and November 2010, the Guarantor also acquired the following Banco Santander entities:

- Santander Cards Limited, Santander Cards UK Limited (and its subsidiaries) and Santander Cards Ireland Limited;
- Santander Consumer (UK) plc (of which Santander UK already held 49.9%); and
- Santander PB UK (Holdings) Limited (of which Santander UK already held 51%) and its subsidiaries, (together, the “Reorganisation”)

The Guarantor will also acquire those parts of the banking business of the Royal Bank of Scotland Group which are carried out through its Royal Bank of Scotland branches in England and Wales and its NatWest branches in Scotland (the “RBS Acquisition”) upon completion of the acquisition.

The Group’s assessment of the businesses acquired under the Reorganisation and to be acquired under the RBS Acquisition is based on certain assumptions with respect to operations, profitability, asset quality and other matters that may prove to be incorrect. In the case of the RBS Acquisition, this assessment was also based on limited information, as there were no standalone audited financial statements in respect of the relevant assets. There can be no assurance that the Group will not be exposed to currently unknown liabilities resulting from these business combinations. Any unanticipated losses or liabilities could have a material adverse effect on the Group’s business, financial condition and/or results of operations.

***The Group may fail to realise the anticipated benefits of its recent or proposed business combinations***

The success of the Group’s business combinations will depend, in part, on the Group’s ability to realise the anticipated benefits from combining with the businesses of A&L, those acquired under the Reorganisation and the assets to be acquired under the RBS Acquisition, with the Group’s business. It is possible that the integration process could take longer or be more costly than anticipated. The eventual integration of the assets to be acquired under the RBS Acquisition is dependent upon, among other things, the successful transition to Partenon (the proprietary IT platform used by the Banco Santander Group). Any delay could result in additional costs to the Group and mean that the Group does not receive the full benefit anticipated from such acquisition. The Group’s efforts to integrate these businesses are also likely to divert management attention and resources. If the Group takes longer than anticipated or is not able to integrate these businesses, the anticipated benefits of the Group’s business combinations may not be realised fully or at all.

***Goodwill impairments may be required in relation to certain of the Group’s acquired businesses***

The Group has made several recent business acquisitions (including the transfer of A&L, and the acquisition of the retail deposits, branch network and related employees of Bradford & Bingley, and certain businesses under the Reorganisation), and will acquire certain assets under the RBS Acquisition. It is possible that the goodwill which has been attributed, or will be attributed, to these businesses may have to be written-down if the Guarantor’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. There can be no assurances that the Guarantor 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.

***The Group’s business is conducted in a highly competitive environment***

The market for UK financial services is highly competitive and the recent financial crisis has reshaped the banking landscape in the UK, reinforcing both the importance of a retail deposit funding base and strong capitalisation. The Group expects such competition to intensify in response to consumer demand, technological changes, the impact of consolidation regulator actions and other factors. If financial markets remain unstable, financial institution consolidation may continue (whether as a result of the UK Government taking ownership and control over other financial institutions in the UK or otherwise). Financial institution consolidation could also result from the UK Government

disposing of its stake in those financial institutions it currently controls. Such consolidation could adversely affect the Group's business, financial condition and/or results of operations. The increased competition could result in declining lending margins or competition for savings driving up funding costs that cannot be recovered from borrowers, all of which could adversely affect the Group's business, financial condition, and/or results of operations.

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

***Operational risks are inherent in the Group's business***

Operational losses can result from fraud, criminal acts, errors by employees, failure to document transactions properly or to obtain proper authorisation, failure to comply with regulatory requirements and conduct of business rules, failure or breakdown of accounting, data processing and other record keeping systems, natural disasters, or failure or breakdown of external systems, including those of the Group's suppliers or counterparties. Such operational losses could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Nothing in this risk factor should be taken to imply that any of the Issuers or the Guarantor would be unable to comply with their obligations as a company with securities admitted to the Official List or as a supervised firm Regulated by the FSA.

***Reputational risk could cause harm to the Group and its business prospects***

The Group's ability to attract and retain customers and conduct business transactions with its counterparties could be adversely affected to the extent that its reputation, the reputation of Banco Santander (as the majority shareholder in Santander UK) or the reputation of affiliates operating under the Santander brand or any of its other brands is damaged. Failure to address, or appearing to fail to address, various issues that could give rise to reputational risk could cause harm to the Group and its business prospects. Reputational issues include, but are not limited to: appropriately addressing potential conflicts of interest; legal and regulatory requirements; ethical issues; adequacy of anti-money laundering processes; privacy issues; customer service issues; record-keeping; sales and trading practices; proper identification of the legal, reputational, credit, liquidity and market risks inherent in products offered; and general company performance (including the quality of the Guarantor's customer services). A failure to address these issues appropriately could make customers unwilling to do business with the Group, which could adversely affect its business, financial condition and/or results of operations.

***The Group's business is subject to substantial legislative, regulatory and governmental oversight***

The Group is subject to extensive financial services laws, regulations, administrative actions and policies in each location in which the Group operates (including in the U.S. and, indirectly, in Spain, as a result of being part of the Banco Santander Group).

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

Recent proposals and measures taken by governmental, tax and regulatory authorities and future changes in supervision and regulation, in particular in the UK, which are beyond the Group's control, could materially affect the Group's business, the products and services offered or the value of assets as well as the Group's operations and result in significant increases in operational costs. Changes in UK legislation and regulation to address the stability of the financial sector may also affect the competitive position of the UK banks, including the Guarantor, particularly if such changes are implemented before international consensus is reached on key issues affecting the industry, for instance in relation to the FSA's regulations on liquidity risk management and also the UK Government's introduction of a levy on banks. Although the Group works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies can be

unpredictable and are beyond the control of the Group. 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. The resolution of a number of issues, including regulatory investigations and reviews (such as the review of the Office of Fair Trading (the "OFT") of barriers to entry, expansion and exit in retail banking in the UK, the results of which were published on 4 November 2010) and court cases, affecting the UK financial services industry could have an adverse effect on the Group's business, financial condition and/or results of operations or its relations with some of its customers and potential customers.

***The Group is subject to regulatory capital and liquidity requirements that could limit its operations, and changes to these requirements may further limit and adversely affect its business, financial condition and/or results of operations***

The Group is subject to capital adequacy requirements adopted by the FSA for banks, which provide for a minimum ratio of total capital to risk-adjusted assets both on a consolidated basis and on a solo consolidated basis (the basis used by the FSA solely for the purpose of the calculation of capital resources and capital resources requirements, which comprises the Guarantor and certain subsidiaries), expressed as a percentage. Any failure by the Group to maintain its ratios may result in administrative actions or sanctions which may affect the Group's ability to fulfil its obligations.

In response to the recent financial crisis, the FSA has imposed, and may continue to impose more stringent capital adequacy requirements, including increasing the minimum regulatory capital requirements imposed on the Group. For instance, the FSA has adopted a supervisory approach in relation to certain UK banks, including the Group, under which those banks are expected to maintain Tier 1 Capital in excess of the minimum levels required by the existing rules and guidance of the FSA. The FSA is currently considering, and in the process of consulting on, changes to the eligibility criteria for Tier 1 Capital as well as provisions that may result in banks being required to increase the level of regulatory capital held in respect of trading book risks. This consultation is taking place ahead of the UK implementation of the recent amendments and proposed amendments to the EU-wide capital adequacy requirements (as set out in the amended Directive 2006/48/EC and Directive 2006/49/EC).

On 5 October 2009, the FSA published its new liquidity rules which significantly broadened the scope of the existing liquidity regime and are designed to enhance regulated firms' liquidity risk management practices. As part of these reforms, the FSA is also expected to implement gradually requirements for financial institutions to hold prescribed levels of liquid assets and have in place other sources of liquidity to address the institution-specific and market-wide liquidity risks that institutions may face in short-term and prolonged stress scenarios.

Following its consultation paper issued in December 2009, the Basel Committee on Banking Supervision announced in September 2010 that it had reached agreement on a number of proposals to reform international capital adequacy and liquidity standards in order to increase resilience in the banking sector from financial and economic stresses (broadly referred to as Basel III). The changes brought about by Basel III include, among other things, phasing out Innovative Tier 1 Capital instruments with incentives to redeem and implementing a leverage ratio on institutions in addition to current risk-based regulatory capital requirements. As a retail bank, Santander UK's current leverage ratio is high, reflecting the low risk-weighting of its assets. Basel III also requires institutions to build counter-cyclical capital buffers that may be drawn upon in stress scenarios, as well as increasing the amount and quality of Tier I Capital that institutions are required to hold. The changes brought about by Basel III will be phased in gradually between January 2013 and January 2019. The most recent Basel capital rules have raised the minimum level of tangible common equity capital from 2 to 7 per cent. of risk-weighted assets, however it is not yet known whether the FSA will require UK banks to hold a further buffer above this level.

These measures could have a material adverse effect on the Group's business, financial condition and/or results of operations. There is a risk that changes to the UK capital adequacy regime (including any introduction of a minimum leverage ratio) may result in increased minimum capital requirements, which could reduce available capital and thereby adversely affect the Group's profitability and ability to pay dividends, continue organic growth (including increased lending) or pursue acquisitions or other strategic opportunities (unless the Group were to restructure its balance sheet in order to reduce the capital charges incurred pursuant to the FSA Rules in relation to the assets held, or alternatively raise additional capital but at increased cost and subject to prevailing

market conditions). In addition, changes to the eligibility criteria for Tier 1 Capital may affect the Group's ability to raise Tier 1 Capital or the eligibility of existing Tier I Capital resources.

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

***UK tax changes (including the new bank levy) could have a material adverse effect on the Group's business***

The Finance (No. 3) Bill published on 31 March, 2011 included a permanent bank levy due to take effect (when enacted) from 1 January, 2011. The bank levy will be imposed on (amongst other entities) UK banking groups and subsidiaries, and therefore applies to the Group. The amount of the levy will be based on a bank's total liabilities, excluding (amongst other things) Tier 1 Capital, insured retail deposits and repos secured on sovereign debt. A reduced rate will be applied to longer-term liabilities.

HM Treasury has emphasised that the levy will not be regarded as insurance against future bank failures and that it is exploring the costs and benefits of imposing a financial activities tax on the profits and remuneration of banking groups.

The bank levy, and possible future changes in the taxation of banking groups in the UK, could have a material adverse effect on the Guarantor's business results of operations and/or financial condition, and the competitive position of UK banks, including the Guarantor.

***The Group is exposed to various forms of legal and regulatory risk, including the risk of mis-selling financial products, acting in breach of legal or regulatory principles or requirements and giving negligent advice, any of which could have a material adverse effect on its business, financial condition and/or results of operations or its relations with its customers***

The Group is exposed to many forms of legal and regulatory risk, which may arise in a number of ways. Primarily:

- certain aspects of the Group's business may be determined by the Bank of England, the FSA, HM Treasury, the Financial Ombudsman Service ("FOS") or the courts as 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 Ombudsman's opinion;
- the alleged mis-selling of financial products, resulting in disciplinary action or requirements to amend sales processes, withdraw products, or provide restitution to affected customers, all of which may require additional provisions;
- the Group holds accounts for entities that might be or are subject to interest from various regulators, including the Serious Fraud Office, those in the US and others. The Group is not aware of any current investigation into the Group as a result of any such enquiries but cannot exclude the possibility of the Group's conduct being reviewed as part of any such investigations; and
- the Group may be liable for damages to third parties harmed by the conduct of its business.

In addition, the Group faces both financial and reputational risk where legal or regulatory proceedings, or the FOS, or other complaints are brought against it in the UK High Court or elsewhere, or in jurisdictions outside the UK, including other European countries and the United States.

Failure to manage these risks adequately could have a material adverse effect on the Group's reputation and/or its business, financial condition and/or results of operations.

***The structure of the financial regulatory authorities in the UK and the UK regulatory framework that applies to members of the Group is the subject of reform and reorganisation***

The UK Government announced proposals on 16 and 17 June 2010 to reform the institutional framework for UK financial regulation. Specifically, the UK Government intends to disband the FSA and reallocate its current responsibilities between three new regulatory authorities.

Any substantial reorganisation of the regulatory framework has the potential to cause administrative and operational disruption for the regulatory authorities concerned. This disruption could impact on the resources which the FSA or any successor authority is able to devote to the supervision of regulated financial services firms, the nature of its approach to supervision and



accordingly, the ability of regulated financial sector firms (including members of the Group) to deal effectively with their supervisors and to anticipate and respond appropriately to developments in regulatory policy.

While it is not presently anticipated that the structural reorganisation of the regulatory authorities concerned will, itself, lead to substantive changes in the regulatory provisions and conduct of business rules and guidance which have been made or are being consulted on by the FSA, it is possible that future changes in the nature of, or policies for, prudential and conduct of business supervision, as performed by any successor authority to the FSA, will differ from the current approach taken by the FSA and that this could lead to a period of some uncertainty for members of the Group.

Any or all of these factors could have a material adverse effect on the conduct of the business of the Group and, therefore, also on its strategy and profitability, and its ability to respond to and satisfy the supervisory requirements of the relevant UK regulatory authorities.

***Various new reforms to the mortgage lending market have been proposed which could require significant implementation costs or changes to the business strategy of relevant members of the Group and may create uncertainty in the application of relevant laws or regulation***

In March 2009, the Turner Review, “A regulatory response to the global banking crisis”, was published and set out a detailed analysis of how the global financial crisis began along with a number of recommendations for future reforms and proposals for consultation. In the Turner Review, it was announced that the FSA would publish a discussion paper considering the possibility of a move towards the regulation of mortgage products (in addition to the product providers) and other options for reform of the mortgage market. This discussion paper (Discussion Paper 09/3) was published in October 2009 and launched the FSA’s “Mortgage Market Review”. The review involved a consultation concerning various potential reforms to the regulatory framework applicable to mortgage lenders and mortgage intermediaries, including in relation to mortgage firms’ conduct of business, product distribution and advice, and their handling of arrears and repossessions.

Separately, HM Treasury announced on 26 March 2010 that it had decided to transfer the responsibility for the regulation of second charge residential mortgages, including existing loans, from the OFT to the FSA, and further to consider changes to the form of regulation proposed to protect consumers in the buy-to-let sector and to take action to protect borrowers when mortgage books are on-sold.

At this stage, it is not possible accurately to predict the nature and impact that these reforms (and any further reforms considered as part of the Mortgage Market Review) may have. However, it is possible that such reforms, if adopted, could lead to a period of uncertainty for the affected members of the Group, particularly as regards changes that may be required to the operational strategy and capital management of the relevant entity, and the supervisory approach taken by the FSA in relation to second charge mortgages, a portfolio of which the Group acquired as a result of its acquisition of A&L. In addition, a change of UK Government has occurred since these proposals were adopted and a new UK regulatory structure has been proposed. While there is, at present, nothing to suggest that these proposals will not be implemented, the change of UK Government and the proposed reforms to the regulatory supervisory structure could give rise to uncertainty for members of the Group as to whether or when the proposed reforms will take place.

As a consequence of such changes and any associated costs that may arise, it is possible that there could be a material adverse effect on the business, financial condition and/or results of operations of the Group.

***Potential intervention by the FSA (or an overseas regulator) may occur, particularly in response to attempts by customers to seek redress from financial service institutions, including the Group, where it is alleged that particular products fail to meet the customers’ reasonable expectations***

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 business, results of operations and/or financial condition of the Group arising from any penalties imposed or compensation awarded, together with the costs of defending such an action.

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

In recent years there have been several industry-wide issues in which the FSA has intervened directly. One such issue is the mis-selling of Payment Protection Insurance (“PPI”), on which topic, in August 2010, the FSA published Policy Statement 10/12 entitled “The assessment and redress of Payment Protection Insurance complaints”. This policy statement contains final FSA Rules which alter the basis on which FSA regulated firms (including the Guarantor and certain members of the Group) must consider and deal with complaints in relation to the sale of PPI and may potentially increase the amount of compensation payable to customers whose complaints are upheld. In October 2010 the British Bankers’ Association applied for judicial review of these new rules and it is currently uncertain as to whether this application will lead to further changes to the rules. The Guarantor and certain members of the Group have sold and continue to sell PPI. At this point in time, the Guarantor and the relevant members of the Group are assessing the likely impact of the revised FSA Rules on this subject. However, it is possible that these new rules may increase the costs associated with assessing PPI complaints and may lead to the Guarantor and/or members of the Group paying out substantially higher amounts in compensation to customers who make such complaints. As a result, this may ultimately have an impact on the business, financial condition and/or results of operations of the Guarantor and the Group.

The FSA may identify future industry-wide mis-selling or other issues that could affect the Group. This may lead from time to time to: (i) significant direct costs or liabilities (including in relation to mis-selling); and (ii) changes in the practices of such businesses which benefit customers at a cost to shareholders.

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

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

In the UK, the Financial Services Compensation Scheme (the “FSCS”) was established under FSMA and is the UK’s statutory fund of last resort for customers of authorised financial services firms. The FSCS can pay compensation to customers if an FSA authorised firm is unable, or likely to be unable, to pay claims against it (for instance, an authorised bank is unable to pay claims by depositors). The FSCS is funded by levies on firms authorised by the FSA, including the Guarantor and other members of the Group.

In the event that the FSCS raises funds from authorised firms, raises those funds more frequently or significantly increases the levies to be paid by such firms, the associated costs to the Group may have a material adverse effect on its business, financial condition and/or results of operations. The recent measures taken to protect the depositors of deposit-taking institutions involving the FSCS have resulted in a significant increase in the levies made by the FSCS on the industry and such levies may continue to go up in the future if similar measures are required to protect depositors of other institutions.

In addition, regulatory reform initiatives in the UK and internationally may result in further changes to the FSCS, which could result in additional costs and risks for the Group. For instance, the FSA produced a consultation paper on pre-funding the FSCS, which may affect the profitability of the Guarantor (and other members of the Group required to contribute to the FSCS), although the UK Government has stated that pre-funding would not be introduced before 2012.

As a result of the structural reorganisation and reform of the UK financial regulatory authorities, it is proposed that the FSCS will become the responsibility of one of the successor regulatory authorities to the FSA. It is possible that future policy of the FSCS and future levies on the firms authorised by the FSA may differ from those at present and that this could lead to a period of some uncertainty for members of the Group. In addition, it is possible that other jurisdictions where the Group operates could introduce 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 business, financial condition and/or results of operations.

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

The Banking Act came into force on 21 February 2009. It provides HM Treasury, the Bank of England and the FSA with a variety of tools for dealing with UK institutions which are authorised deposit takers and are failing. If the position of a relevant entity in the Group were to decline so dramatically that it was considered to be failing, or likely to fail, to meet threshold authorisation conditions set out in FSMA (for example, if there were a mass withdrawal of deposits over solvency fears surrounding the Guarantor, in a manner analogous to the situation that occurred at Northern Rock, adversely affecting the ability of the Guarantor to continue to trade), it could become subject to the exercise of powers by HM Treasury, the Bank of England and the FSA under the special resolution regime set out in the Banking Act. The special resolution regime provides HM Treasury, the Bank of England and the FSA with a variety of powers for dealing with UK deposit taking institutions that are failing or likely to fail, including: (i) to take a bank or bank holding company into temporary public ownership; (ii) to transfer all or part of the business of a bank to a private sector purchaser; or (iii) to transfer all or part of the business of a bank to a "bridge bank". The special resolution regime also comprises a separate insolvency procedure and administration procedure each of which is of specific application to banks. These insolvency and administration measures may be invoked prior to the point at which an application for insolvency proceedings with respect to a relevant institution could be made.

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

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

### ***The Group's operations are highly dependent on its information technology systems***

The Group's business, financial performance and ability to meet its strategic objectives depend to a significant extent upon the functionality of its information technology systems, including Partenon, and its ability to increase systems capacity. 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 business and its ability to compete. For example, the Group's ability to process credit card and other electronic transactions for its customers is an essential element of its business. A disruption (even short-term) to the functionality of the Group's information technology systems (whether as a result of migrating any new business onto Partenon or otherwise), delays or other problems in increasing the capacity of the information technology systems or increased costs associated with such systems could have a material adverse effect on the Group's business, financial condition and/or results of operations.

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 Group. Any material change in the basis upon which these services are provided to the Group could have a material adverse effect on the Group's business, financial condition and/or results of operations.

In addition, if the Group fails to update and develop its existing information technology systems as effectively as its competitors, this may result in a loss of the competitive advantages that the Group believes its information technology systems provide, which could also have a material adverse effect on the Group's business, financial condition and/or results of operations.

### ***Third parties may use the Group as a conduit for illegal activities without the Group's knowledge, which could have a material adverse effect on the Group***

The Group is required to comply with applicable anti-money laundering laws and regulations and has adopted various policies and procedures, including internal control and "know-your-customer" procedures, aimed at preventing use of the Group for money laundering. For example, a

major focus of US governmental policy relating to financial institutions in recent years has been combating money laundering and enforcing compliance with US economic sanctions. The outcome of any proceeding or complaint is inherently uncertain and could have a material adverse effect on the Group's operations and/or financial condition, especially to the extent that the scope of any such proceedings expands beyond its original focus.

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

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

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

The UK Pensions Regulator has the power to issue a financial support direction to companies within a group in respect of the liability of employers participating in the UK defined benefit pension plans where that employer is a service company, or is otherwise "insufficiently resourced" (as defined for the purposes of the relevant legislation). As some of the employers within the Group are service companies or may 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 to 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 High Court decided in the 2010 case of *Bloom and others v The Pensions Regulator (Nortel, Re)* that liabilities under financial support directions issued by the Pensions Regulator against companies after they have gone into administration were payable as an expense of the administration, and did not rank as provable debts. This means that such liabilities will have to be satisfied before any distributions to unsecured creditors could be made. The matter is not yet settled as it is understood that there will be an expedited appeal to the Court of Appeal and amendment to the existing legislation may be introduced.

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

Changes in the size of the deficit in the defined benefit schemes operated by the Group, due to reduction in the value of the pension fund assets (depending on the performance of financial markets) or an increase in the pension fund liabilities due to changes in mortality assumptions, the rate of increase of salaries, discount rate assumptions, inflation, the expected rate of return on plan assets, or other factors, could result in the Group having to make increased contributions to reduce or satisfy the deficits which would divert resources from use in other areas of the Group's business and reduce

the Guarantor's capital resources. While a number of the above factors can be controlled by the Group, there are some over which it has no or limited control. Although the trustees of the defined benefit pension schemes are obliged to consult the Group before changing the pension schemes' investment strategy, the trustees have the final say.

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

### **Risks relating to the Notes**

In this context the following specific risks have been identified as areas for focus:

**The Issuers and the Guarantor cannot assure a trading market for the Notes will ever develop or be maintained**

Each of the Issuers may issue Notes in different series with different terms in amounts that are to be determined. Such Notes may be unlisted or listed on a recognised stock exchange and there can be no assurance that an active trading market will develop for any series of Notes. There can also be no assurance regarding the ability of Noteholders to sell their Notes or the price at which such holders may be able to sell their Notes. If a trading market were to develop, the Notes could trade at prices that may be higher or lower than the initial offering price and this may result in a return that is greater or less than the interest rate on the Notes, depending on many factors, including:

- the Group's financial results;
- any change in the Issuers' or the Guarantor's creditworthiness;
- the market for similar securities;
- the complexity and volatility of the index or formula applicable to the Notes;
- the method of calculating the principal, premium and interest in respect of the Notes;
- the time remaining to the majority of the Notes;
- the outstanding amount of the Notes;
- the redemption features of the Notes;
- the amount of other debt securities linked to the index or formula applicable to the Notes; and
- the level, direction and volatility of market interest rates generally.

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

**Risks associated with redemption of the Notes**

If the applicable Final Terms specify that the Notes are redeemable at the option of an Issuer, or are otherwise subject to mandatory redemption, the relevant Issuer may (in the case of optional redemption) or must (in the case of mandatory redemption) choose to redeem such Notes at times when prevailing interest rates may be relatively low. Accordingly, an investor generally will not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

**The yield to maturity of the Notes may be adversely affected by redemptions by the Issuer**

The yield to maturity of each class of Notes will depend mostly on: (i) the amount and timing of the repayment of principal on the Notes and (ii) the price paid by the Noteholders of each class. The yield to maturity of the Notes may be adversely affected by a higher or lower than anticipated rate of redemptions on the Notes.

**The Notes are subject to selling and transfer restrictions that may affect the existence and liquidity of any secondary market in the Notes**

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

**The Issuer and the Guarantor may rely on third parties and the Noteholders may be adversely affected if such third party fails to perform their obligations**

The Issuers 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 Notes. For example, a paying agent and the agent bank have agreed to provide payment and calculation services in connection with the Notes; and Euroclear and Clearstream, Luxembourg have in respect of Bearer Global Notes in NGN form, agreed, *inter alia*, to accept such Bearer Global Notes as eligible for settlement and to properly service the same, and to maintain up to date records in respect of the total amount outstanding of such Bearer Global Notes in NGN form. 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 Noteholders may be adversely affected.

**If the United Kingdom joins the European Monetary Union prior to the maturity of the Notes, the Issuers and the Guarantor cannot assure the Noteholders that this would not adversely affect payments on the Notes**

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

**Notes where denominations involve integral multiples: definitive Notes**

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

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

**EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “Savings Directive”), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an

individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

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

The Savings Directive does not preclude Member States from levying other types of withholding tax.

#### **Risks relating to:**

##### ***Fixed Rate Notes***

Investment in Fixed Rate Notes involves the risk that subsequent changes in the market interest rates may adversely affect the value of the Fixed Rate Notes.

##### ***Fixed/Floating Rate Notes***

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate or vice versa. If the rate converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than 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 Notes. If the rate converts from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing interest rates payable on the Notes.

##### ***Inverse Floating Rate Notes***

Inverse Floating Rate Notes 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 Notes 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 Notes are more volatile because an increase in the reference rate not only decreases the interest rate payable on the Notes, but may also reflect an increase in prevailing interest rates, which may further adversely affect the market value of these Notes.

##### ***Capped Floating Rate Notes***

Capped Floating Rate Notes usually have an interest rate equal to the sum of a reference rate such as LIBOR and the specified margin (if any) subject to a maximum specified rate. The maximum amount of interest payable in respect of these Notes will occur when the sum of the reference rate and the specified margin (if any) equals the maximum specified rate. Investors in Capped Floating Rate Notes will therefore not benefit from any increase in the relevant reference rate which, when the specified margin is added to such reference rate, would otherwise cause such interest rate to exceed the maximum specified rate. The market value of these Notes would therefore typically fall the closer the sum of the relevant reference rate and the margin is to the maximum specified rate.

##### ***Variable Interest Notes***

Notes with variable 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. The investor may receive substantially less or no interest at all on such Variable Interest Notes.

### ***Notes issued at a substantial discount or premium***

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

### ***Credit Linked Notes, Equity Linked Notes, Index Linked Notes or other Variable Notes***

The amount of principal and/or interest payable (if any) in respect of such Notes, and payable by the Guarantor under its guarantee thereof, is based on the price, value, performance or some other factor relating to one or more assets or other property (each a "Reference Asset") and/or the creditworthiness of, performance of obligations by or some other factor relating to, one or more entities (each a "Reference Entity"), and/or the level of a particular index each as indicated in the applicable Final Terms. With respect to an investment in such Notes, significant risks exist that are not associated with a conventional fixed rate or floating rate debt security. Such risks may arise from the fluctuation in the value of the Reference Asset, the creditworthiness of the Reference Entity or the level of the relevant index.

In addition, an Issuer may (as indicated in the applicable Final Terms) be entitled to redeem such Notes either by payment of a cash amount ("Cash-Settled Notes") and/or by physical delivery of all or part of a Reference Asset or of some other asset or property ("Physically-Settled Notes"). In certain circumstances (as indicated in the applicable Final Terms), the cash amount payable on Cash-Settled Notes, or the value of assets or property deliverable on Physically-Settled Notes, on redemption of such Notes (whether at maturity or otherwise) may be less than the principal amount of the Notes together with any accrued interest and may in certain circumstances be zero. Moreover, each interest-bearing Note 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 Notes.

In addition, if the formula used to determine any amounts payable in respect of the Notes contains a multiplier or leverage factor, the effect of any fluctuation in the value of the Reference Assets, the adjustments of the Reference Entity or level of the indices to which the Notes 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 obligations of ANTS 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 in accordance with the terms of the relevant Credit Linked Notes, Equity Linked Notes or other structured Notes. It is not an assurance that any amount will become due and payable under the terms of the relevant Note (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 Note).

Purchasers of such Notes 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 Notes 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 Notes are solely responsible for making their own independent appraisal of and investigation into the business, financial condition, prospects, creditworthiness, status and affairs of any Reference Entity or Reference Asset and the level or fluctuation of any indices or formulae.

### ***Investment in Dual Currency Notes may be negatively affected by changes in exchange rates and exchange controls***

With respect to an investment in Dual Currency Notes that are denominated and/or payable in a Specified Currency, there will be significant risks associated with such an investment, including the possibility of material changes in the exchange controls by the applicable governments. The Issuers and the Guarantor have no control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for the applicable currencies. Moreover, if payments on Dual Currency Notes are determined by reference to a formula containing a multiplier or leverage factor, the effect of any change in the exchange rates between the applicable currencies will be magnified. In recent years, exchange rates between certain currencies have been highly volatile and volatility between such currencies or with other currencies may be expected in the



future. Fluctuations between currencies in the past are not necessarily indicative, however, of fluctuations that may occur in the future. Depreciation of the payment currency would result in a decrease in the equivalent yield of the Dual Currency Notes, in the equivalent value of the principal and any premium payable at maturity or earlier redemption of the Dual Currency Notes and generally, in the equivalent market value of the Dual Currency Notes. Governmental exchange controls could affect exchange rates and the availability of the payment currency on a required payment date. Even if there are no exchange controls, it is possible that the payment currency will not be available on a required payment date due to circumstances beyond an Issuer's or the Guarantor's control.

### ***Subordinated Notes***

The Subordinated Issuer may issue Subordinated Notes. The obligations of the Subordinated Issuer in case of the Subordinated Notes constitute unsecured and subordinated obligations. In the event of the dissolution, liquidation, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Subordinated Issuer, such obligations will be subordinated to the claims of all unsubordinated creditors of the Issuers so that in any event no amounts will be payable under such obligations until the claims of all unsubordinated creditors of the Issuers will have been satisfied in full. No holder may set off his claims arising under the Subordinated Notes against any claims of the Issuers. No security of whatever kind is, or will at any time be, provided by the Issuers or any other person securing rights of the holders of such Subordinated Notes. No subsequent agreement may limit the subordination or amend the maturity date in respect of the Subordinated Notes to any earlier date or shorten any applicable notice period. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the Subordinated Issuer become insolvent.

### ***Basel Committee***

On 17 December 2009, the Basel Committee proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled 'Strengthening the resilience of the banking sector'. On 16 December 2010 and on 13 January 2011, the Basel Committee issued its final guidance on Basel III. The Basel III reforms require tier 1 and tier 2 capital instruments to be more loss-absorbing. The implementation of the Basel III reforms will begin on 1 January 2013, however the requirements are subject to a series of transitional arrangements and will be phased in over a period of time.

The press release dated 13 January 2011 included the following statements:

The terms and conditions of all non-common tier 1 and tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

- (a) the governing jurisdiction of the bank has in place laws that (i) require such tier 1 and tier 2 instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;
- (b) a peer group review confirms that the jurisdiction conforms with clause (a); and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a) in this paragraph.

The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority.

The terms of the Subordinated Notes do not contain any such provision. There can be no assurance that the Banking Act 2009 or any amendment or supplementary legislation will be confirmed in due course by a peer group review (as referred to in clause (b) above) to conform with clause (a) above so that such Subordinated Notes would be subject to being written down or fully loss absorbing as set out in clause (a) in the above paragraph. If the authorities having regulatory oversight of the Group at the relevant time (i) disclose that a peer group review has confirmed that the UK legislation conforms with clause (a) above and (ii) disclose that they do not require a change to the terms and conditions of any non-common tier 1 and tier 2 instruments to include a provision that requires either that they be written off or converted into equity upon the occurrence of a trigger

event (which they may require even if UK legislation is deemed by a peer group review to conform to clause (a) in the above paragraph), then the Subordinated Issuer will notify holders of any affected Subordinated Notes that, going forward, such instruments are confirmed as subject to loss as set out in clause (a) in the above paragraph.

Furthermore there can be no assurance that, prior to its implementation in 2013, the Basel Committee will not amend the package of reforms described above. Further, the European Commission and/or the FSA may implement the package of reforms, including the terms which capital securities are required to have, in a manner that is different from that which is currently envisaged, or may impose more onerous requirements on UK banks.

## FORM OF THE NOTES

The Notes of each Series will be in either bearer form or registered (or inscribed) form. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (“Regulation S”) and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A.

### **Bearer Notes**

Each Tranche of Bearer Notes will be initially represented by either a temporary bearer global note (a “Temporary Bearer Global Note”) or a permanent bearer global note (a “Permanent Bearer Global Note”) and, together with the Temporary Bearer Global Note, the “Bearer Global Notes”) as indicated in the applicable Final Terms, which, in either case, will:

- (i) if the Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final 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); and
- (ii) if the Global Notes 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 for Euroclear and Clearstream, Luxembourg.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note (if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by 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.

In respect of each Tranche of Notes in respect of which a Temporary Bearer Global Note is issued, on and after the date (the “Exchange Date”) which is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein for either:

- (i) interests in a Permanent Bearer Global Note of the same Series, or
- (ii) definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms).

In each case such exchange shall be made against certification of 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 Notes. The holder of a Temporary Bearer Global Note 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 Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note (if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either:

- (1) not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent, or
- (2) only upon the occurrence of an Exchange Event (as defined below).

No definitive Bearer Notes 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 Condition 10a and 10b) has occurred and is continuing,
- (2) the relevant 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 relevant Issuer, the Principal Paying Agent and the Trustee is available, or
- (3) the relevant Issuer or the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form.

The relevant Issuer will promptly give notice to the Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (3) above, the relevant 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 Notes which have an original maturity of more than 365 days and on all Receipts, Talons and Coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States persons, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, Receipts, Talons and Coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, Receipts, Talons and Coupons.

The term “United States person”, as used in this paragraph and in the preceding paragraph, has the meaning set forth in the Internal Revenue Code and the U.S. Treasury regulations thereunder.

Notes which are represented by a Bearer Global Note 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.

Bearer Notes will not be issued in the Australian domestic capital markets.

### **Registered Notes**

*The following section does not apply to Australian Domestic Notes.*

Registered Notes may be offered and sold in reliance on Regulation S or in reliance on Rule 144A.

Registered Notes offered and sold in reliance on Regulation S may only be offered and sold to non-U.S. persons outside the United States and will initially be represented by a global note in registered form, without receipts, interest coupons or talons (a “Regulation S Global Note”) which will be deposited with a common depository, common safekeeper or depository, as the case may be, for, and registered in the name of a common nominee or nominee of, Euroclear and Clearstream, Luxembourg or such other clearing system as may be agreed between the relevant Issuer and the relevant Dealer and specified in the Final Terms, or in the name of a nominee of the common safekeeper. Prior to expiry of the Distribution Compliance Period (as defined in “Terms and Conditions of the Notes”) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg (or such other clearing system as may be agreed between the relevant

Issuer and the relevant Dealer and specified in the Final Terms) and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

Registered Notes offered and sold in reliance on Rule 144A may only be offered and sold in the United States or to U.S. persons in private transactions to “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act (“QIBs”) and will be represented by a global note in registered form, without receipts, interest coupons or talons (a “Rule 144A Global Note” and, together with a Regulation S Global Note, the “Registered Global Notes”) which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“DTC”).

Canadian Notes will be represented by a global note in registered form, without receipts, interest coupons or talons, which will be deposited with, and registered in the name of a nominee of, CDS.

Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in registered form.

The Rule 144A Global Note will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person(s) shown on the Register on the relevant Record Date (each as defined in Condition 6(d)) as the registered holder(s) of the Registered Global Notes. None of the relevant Issuer, the Guarantor, the Trustee, any Paying Agent, the Canadian Agent and the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, “Exchange Event” means that:

- (1) an Event of Default (as defined in Condition 10(a) and 10(b)) has occurred and is continuing;
- (2) in the case of Notes represented by a Rule 144A Global Note only, DTC has notified the relevant Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system satisfactory to the relevant Issuer, the Principal Paying Agent, the Registrar and the Trustee is available;
- (3) in the case of Notes represented by a Rule 144A Global Note only, DTC has ceased to constitute a clearing agency registered under the Exchange Act or in the case of Notes represented by a Regulation S Global Note only, the relevant 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 relevant Issuer, the Principal Paying Agent, the Registrar and the Trustee is available;
- (4) in the case of Canadian Notes, (A) CDS has notified the relevant Issuer that it is unwilling or unable to continue to act as depository for the Canadian Notes; or (B) CDS ceases to be a recognised clearing agency under the Securities Act (Ontario) or a self-regulatory organisation under the Securities Act (Québec) or other applicable Canadian securities legislation and a successor clearing system or depository for the Canadian Notes, as the case may be, satisfactory to the relevant Issuer, the Registrar, the Canadian Agent and the Trustee is not appointed by the relevant Issuer within 90 days after the relevant Issuer receives such notice or becomes aware of such unwillingness, inability or cessation; or

- (5) the relevant Issuer or the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form.

The relevant Issuer will promptly give notice to the Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg, CDS (each acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (4) above, the relevant Issuer or the Guarantor 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.

#### **Australian Domestic Notes**

Australian Domestic Notes will be issued in registered, uncertificated (or inscribed) form. Such Notes will be constituted by the Deed Poll and will take the form of entries on a register to be maintained by the Australian Registrar, all as more fully described in the applicable Final Terms.

#### **Transfer of Interests**

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear, Clearstream, Luxembourg and CDS, in each case to the extent applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see “Subscription and Sale and Transfer and Selling Restrictions”.**

#### **General**

Pursuant to the Agency Agreement (as defined under “Terms and Conditions of the Notes”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes 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 Notes of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period (as defined in “Terms and Conditions of the Notes”) applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Bearer Global Note or a Regulation S Global Note held on behalf of or, as the case may be, registered in the name of a common nominee for, Euroclear, and/or Clearstream, Luxembourg (or, as the case may be, a nominee for the common safekeeper), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Guarantor, the Trustee, the Paying Agents, the Transfer Agents and the Registrar as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Regulation S Global Note shall be treated by the relevant Issuer, the Guarantor, the Trustee, the Paying Agents, the Transfer Agents and the Registrar as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

For so long as any of the Notes is represented by a Regulation S Global Note registered in the name of CDS or its nominee, each person who is for the time being shown in the records of CDS as the holder of a particular nominal amount of such Notes shall be treated by the relevant Issuer, the Guarantor, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on, or voting, giving consents or making requests in respect of, such nominal amount of such Notes, for which purpose the registered holder of the relevant Regulation S Global Note shall be treated by the relevant Issuer, the

Guarantor, the Trustee and the Agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of such Regulation S Global Note; and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

For so long as any of the Notes is represented by a Rule 144A Global Note registered in the name of DTC or its nominee, each person who is for the time being shown in the records of DTC or such nominee as the holder of a particular nominal amount of such Notes shall be treated by the relevant Issuer, the Guarantor, the Trustee, the Paying Agents, the Registrar and the Transfer Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on, or voting, giving consents or making requests in respect of, such nominal amount of such Notes, for which purpose DTC or, in the case of payments only, its nominee shall be treated by the relevant Issuer, the Guarantor, the Trustee, the Principal Paying Agent, the Paying Agents, the Registrar and the Transfer Agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of such Rule 144A Global Note; and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

Any reference herein to DTC, Euroclear, Clearstream, Luxembourg and/or CDS shall, whenever the context so permits, except in relation to Notes issued in NGN form or held under the New Safekeeping Structure for registered global securities, 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 Final 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 relevant Issuer, the Guarantor, the Principal Paying Agent (and, in the case of Canadian Notes, the Canadian Agent), the Registrar and the Trustee.

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 relevant Issuer, the Guarantor, the Principal Paying Agent (and, in the case of Canadian Notes, the Canadian Agent), the Registrar and the Trustee.

## Form of Final Terms

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least EUR 50,000 (or its equivalent in another currency) pursuant to this Prospectus.*

[Date]

**PLEASE CAREFULLY READ THE PROSPECTUS AND THE RISK FACTORS IN THE PROSPECTUS. EACH INVESTOR SHOULD CONSULT ITS OWN FINANCIAL AND LEGAL ADVISORS ABOUT THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE NOTES AND THE SUITABILITY OF AN INVESTMENT IN THE NOTES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.**

**[ABBEEY NATIONAL TREASURY SERVICES plc  
/SANTANDER UK plc]**

**Issue of [Nominal Amount of Tranche] [Title of Notes]  
[Guaranteed by Santander UK plc]  
under the U.S.\$20,000,000,000  
Euro Medium Term Note Programme**

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “Conditions”) set forth in the Prospectus dated [date] [and the supplement[s] to it dated [date(s)]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus[, as supplemented]. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus[, as supplemented]. The Prospectus [and the supplement[s] to it] is [are] available for viewing at, and copies may be obtained from, the registered office of the Issuer [and the Guarantor].

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus (or, if relevant, an Information Memorandum) with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “Conditions”) set forth in the Prospectus/[Information Memorandum] dated [original date] [and the supplement[s] to it dated [date(s)]] which are incorporated by reference in the Prospectus dated 20 April, 2011 and are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated [current date] [and the supplement[s] to it dated [date(s)]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus dated [current date] [and the supplement[s] to it dated [date(s)]]. Copies of such Information Memoranda and Prospectus [and the supplement[s] to [it] [them] are available for viewing, and copies may be obtained from, the registered office of the Issuer [and the Guarantor].

*[Include the following where the issue is Australian Domestic Notes:*

The Issuer is not a bank which is authorised under the Banking Act 1959 of the Commonwealth of Australia. The Notes are not the obligations of any government and in particular, are not guaranteed by the Commonwealth of Australia.]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing any Final Terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and*



consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

1. (i) Issuer: [ ]  
(ii) Designated Branch (if Abbey National Treasury Services plc is the Issuer): [Insert branch/Not Applicable]  
(iii) Guarantor: [Santander UK plc/Not Applicable]
2. (i) Series Number: [ ]  
(ii) Tranche Number: [ ]  
*(If fungible with an existing Series, insert details of that Series, including the date on which the Notes become fungible)*
3. Specified Currency or Currencies: [ ]
4. Nominal Amount:  
(i) Tranche: [ ]  
(ii) Series: [ ]
5. Issue Price of Tranche: [ ] per cent. of the Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6. (i) Specified Denominations: [ ]  
*(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)*  
*(Note – where multiple denominations above €50,000 or equivalent are being used the following sample wording should be followed:  
“€50,000 and integral multiples of €1,000 in excess thereof up to and including €99,000. No Notes in definitive form will be issued with a denomination above €99,000.”<sup>1</sup>)*  
*[In respect of issues of Australian Domestic Notes, the following wording should be used:  
“A\$[ ] and multiples thereof, subject to a minimum aggregate consideration of A\$500,000 per offeree or the offer not otherwise requiring disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act of Australia and the issue complying with the Bank Exemption Order No. 82 promulgated under the Banking Act 1959 of the Commonwealth of Australia (which requires all offers and any transfers which occur in Australia to be for a consideration of at least A\$500,000)”]*  
*[In any situation where the Issuer wishes to fall within the exemption set out in Article 8.1(b) of Directive 2004/109/EC (the “Transparency Directive”) as amended, Notes to be admitted to trading on a regulated market within the European Economic Area with a maturity date which will fall after the implementation date of the Directive 2010/73/EU in the Relevant Member State (which must be before 1 July, 2012) must have a minimum denomination of €100,000 (or if Notes are denominated in a currency other than euro, the equivalent amount in such currency).]*  
(ii) Calculation Amount [ ]  
*(Applicable to Notes in definitive form)*  
*(If only one Specified Denomination, insert the Specified Denomination.  
If more than one Specified Denomination, insert the highest common factor. Note: There must be a common*

1 Delete if notes being issued are in registered form.

*factor in the case of two or more Specified Denominations.)*

7. (i) Issue Date: [ ]  
(ii) Interest Commencement Date (if different from the Issue Date): [Specify date/Not Applicable]
8. Maturity Date: [Fixed Rate/any other note other than a Floating Rate Note — specify date  
Floating Rate — Interest Payment Date falling in or nearest to [specify month and year/specify other]]
9. Interest Basis:  
[Fixed Rate]  
[Floating Rate]  
[Zero Coupon/Discount]  
[Non-Interest Bearing]  
[Index Linked Interest]  
[Credit Linked Interest]  
[Equity Linked Interest]  
[Variable Interest]  
[specify other]  
(further particulars specified below)
10. Redemption/Payment Basis:  
[Redemption at par]  
[Index Linked Redemption]  
[Credit Linked Redemption]  
[Equity Linked Redemption]  
[Variable Redemption]  
[Dual Currency]  
[Partly-Paid]  
[Instalment]  
[specify other]
11. Change of Interest Basis or Redemption/  
Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options:  
[Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. Date of [Board] approval for issuance of  
Notes [and Guarantee] obtained: [ ] [and [ ]], respectively  
  
*(N.B.: Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*
14. Status of the Notes: [Senior/Subordinated]
15. Method of distribution: [Syndicated/Non-syndicated]

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

16. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/ semi-annually/quarterly] in arrear]  
*(If payable other than annually consider amending Condition 5)*
- (ii) Interest Payment Date(s): [ ] in each year
- (iii) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]



























































































































































































