PROSPECTUS

ABBEY NATIONAL TREASURY SERVICES plc

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

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)

Abbey National Treasury Services plc (the "Issuer") may from time to time issue notes (the "Notes") denominated in any currency as agreed between the 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 18 April, 2012 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 document substantially in the form set out in this Prospectus.

This Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "FCA") which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC as amended (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 FCA 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 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 "Overview 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 for such Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes, and certain other information 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 and will also be published on the website of the London Stock Exchange through a regulatory information service (the "RNS website").

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor and the relevant Dealer and specified in the Final Terms.

See "Risk Factors" (pages 14 to 41) for a discussion of factors which may affect the Issuer's and the Guarantor's ability to fulfil their respective obligations under Notes issued under the Programme and under the Guarantee and factors which are material for the purpose of assessing the market risks associated with Notes 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 (as defined in Regulation S under the Securities Act ("Regulation S")) 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.

Arranger

DEUTSCHE BANK

Dealers

BARCLAYS
BofA MERRILL LYNCH
CREDIT SUISSE
GOLDMAN SACHS INTERNATIONAL
J.P. MORGAN CAZENOVE
SANTANDER GLOBAL BANKING & MARKETS
UBS INVESTMENT BANK

BNP PARIBAS
CITIGROUP
DEUTSCHE BANK
HSBC
MORGAN STANLEY
THE ROYAL BANK OF SCOTLAND

The date of this Prospectus is 2 May, 2013.

In this document references to ''Santander UK'' and the ''Guarantor'' are references to Santander UK plc; references to ''ANTS'' are references to the Issuer; and references to the ''Santander UK Group'' and the ''Group'' are references to Santander UK and its subsidiaries. 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.

In this document references to ''Moody's'' are to Moody's Investors Service Limited; references to ''S&P'' are to Standard & Poor's Credit Market Services Europe Limited; and references to ''Fitch'' are to Fitch Ratings Ltd. Each of Moody's, S&P and Fitch is established in the European Union and registered under Regulation 1060/2009/EC of the European Parliament and of the Council of 16 September, 2009 on credit rating agencies (as amended) (the ''CRA Regulation''). 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. Credit ratings are not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

In this document references to the ''Prospectus Directive'' are references to Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area).

The Issuer and the Guarantor (the ''Responsible Persons'') accept responsibility for the information contained in this Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. 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.

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 Issuer 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 Issuer or the Guarantor in connection with the Programme.

No person is or has been authorised by the Issuer 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 Issuer, 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 Issuer, 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 Issuer and 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 Issuer, 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 Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the 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, not in registered 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 Issuer in connection with the promotion or marketing (within the meaning of Circular 230) by the Issuer 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 Issuer, 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 Issuer, 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 Issuer, 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. 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, Ireland, Singapore and Poland, see "Subscription and Sale and Transfer and Selling Restrictions".

In making an investment decision, investors must rely on their own examination of the 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 Issuer, the Guarantor and their respective affiliates. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or any of their respective affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer and/or the Guarantor routinely hedge their credit exposure to the Issuer and the Guarantor consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Dealers and their affiliates may also make

investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

None of the Dealers, the Issuer, 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.

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 Qualified Institutional Buyers ("QIBs") as defined in Rule 144A under the Securities Act ("Rule 144A") 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 authorised. 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.

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

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, the 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, the 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 and the Issuer are currently reporting companies under the Exchange Act.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer 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 the 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 the Issuer or the Guarantor, or to enforce judgments against them obtained in the United States predicated upon civil liabilities of the Issuer or the Guarantor or such directors under laws other than English, including any judgment predicated upon United States federal securities laws. The Issuer 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 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 Issuer 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.

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

(1) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December, 2012, which appear on pages 110 to 189, and in the ''Risk Management Report'' on pages 40 to 78 and pages 84 to 98, except for those items marked as unaudited, in each case, of the Issuer's Annual Report and Accounts for the year ended 31 December, 2012;

(2) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December, 2011, which appear on pages 13 to 120 of the Issuer's Annual Report and Accounts for the year ended 31 December, 2011;

(3) the (i) audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December, 2012, which appear on pages 199 to 309 and on pages 74 to 134 and pages 140 to 162, except those items marked as unaudited; (ii) section entitled ''FSA Remuneration Disclosures'' on pages 194 to 198; (iii) the section entitled ''Bank of England Special Liquidity Scheme'' on page 58; and its audited information in the ''Director's Report'' on pages 181 to 192; in each case, of the Guarantor's Annual Report and Accounts for the year ended 31 December, 2012; and

(4) the (i) audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December, 2011, which appear on pages 157 to 274 and pages 62 to 135 except the Operational Risk and Other Risks sections on pages 128 to 134; (ii) the ''Balance Sheet Business Review'' marked audited on pages 44 to 48; (iii) audited information titled ''FSA Remuneration Disclosures'' on pages 152 to 156; (iv) the section entitled ''Bank of England Special Liquidity Scheme'' on page 58 of the Guarantor's Annual Report and Accounts for the year ended 31 December, 2011; and (v) the audited information in the Directors' Report which appears on pages 143 to 145; in each case of the Guarantor's Annual Report and Accounts for the year ended 31 December, 2011;

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.

The following sections of the Guarantor's unaudited Quarterly Management Statement for the quarter ended 31 March, 2013 (as published on 25 April, 2013) are incorporated in, and form part of, this Prospectus:

(5) the unaudited interim financial statements of the Guarantor appearing at pages 14 – 15 (each inclusive); and

(6) the section entitled ''Income statement analysis (Q1'13 compared to Q1'12)'' at page 5.

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:

(7) the Terms and Conditions of the Notes set out on pages 26 to 51 of the Information Memorandum dated 29 March, 2004;

(8) the Terms and Conditions of the Notes set out on pages 26 to 52 of the Information Memorandum dated 11 April, 2005;

(9) the Terms and Conditions of the Notes set out on pages 34 to 59 of the Information Memorandum dated 5 August, 2005;

(10) the Terms and Conditions of the Notes set out on pages 36 to 63 of the Prospectus dated 22 June, 2006;

(11) the Terms and Conditions of the Notes set out on pages 36 to 63 of the Prospectus dated 18 May, 2007;

(12) the Terms and Conditions of the Notes set out on pages 50 to 79 of the Prospectus dated 26 March, 2008;

(13) the Terms and Conditions of the Notes set out on pages 54 to 85 of the Prospectus dated 14 April, 2009;

(14) the Terms and Conditions of the Notes set out on pages 61 to 93 of the Prospectus dated 5 May, 2010;

(15) the Terms and Conditions of the Notes set out on pages 67 to 97 of the Prospectus dated 20 April, 2011; and

(16) the Terms and Conditions of the Notes set out on pages 71 to 102 of the Prospectus dated 18 April, 2012.

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 (16) above, can be obtained without charge from the RNS website and the relevant sections listed in (5) and (6) above are also available for viewing at: http://www.aboutsantander.co.uk/investors/results-and-presentations/2013.aspx.

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

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this 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 Issuer 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.

Certain information contained in the documents listed above has not been incorporated by reference in this Prospectus. Such information is either (i) not considered by the Issuer and the Guarantor to be relevant for prospective investors in the Notes to be issued under the Programme or (ii) is covered elsewhere in this Prospectus.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004, as amended, implementing the Prospectus Directive.

Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this overview.

Issuer:	Abbey National Treasury Services plc (including any Designated Branch)
Guarantor:	Santander UK plc
Description of Issuer and Guarantor:	The Guarantor is the parent company of the Santander UK Group which provides financial services in the UK. The Guarantor was incorporated in England and Wales in 1988. The Issuer is a wholly owned subsidiary of the Guarantor and was incorporated in England and Wales in 1989. The Guarantor and the Issuer form part of the Banco Santander Group.
Risk Factors:	There are certain factors that may affect the Issuer's and the Guarantor's ability to fulfil their obligations under Notes issued under the Programme. These are set out under "*Risk Factors – Business Risk Factors*" 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 "*Risk Factors – Risks relating to the Notes*" 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 and (v) the loss of all or part of a Noteholder's anticipated return due, *inter alia*, 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 interest on Notes being determined by reference to a formula or other reference factor, as specified in the applicable Final Terms.
Description:	Euro Medium Term Note Programme
Arranger:	Deutsche Bank AG, London Branch
Dealers:	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 HSBC Bank plc J.P. Morgan Securities plc 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").
Trustee:	The Law Debenture Trust Corporation p.l.c.
Issuing and Principal Paying Agent:	Citibank, N.A., London.
Registrar:	Citigroup Global Markets Deutschland AG.
Programme Size:	Up to U.S.$20,000,000,000 (or its equivalent) outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	The Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Any currency indicated in the applicable Final Terms.
Maturities:	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.
Issue Price:	Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	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 *vice versa*.
Fixed Rate Notes:	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 Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate: (1) determined 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 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) determined on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (3) equal to a fixed rate minus a rate based upon a reference rate such as the London interbank offered rate. The Margin (if any) relating to such floating rate will be indicated in the applicable Final Terms.
Convertible Interest Basis Notes:	Convertible Interest Basis Notes may be converted from one interest and/or payment basis to another if so provided in the applicable Final Terms.
Other provisions in relation to Floating Rate Notes, Variable Interest Notes and Convertible Interest Basis Notes:	Floating Rate Notes, Variable Interest Notes and Convertible Interest Basis Notes may also have a maximum interest rate, a minimum interest rate or both.

	Interest on Floating Rate Notes, Variable Interest Notes and Convertible Interest Basis Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and may be calculated on the basis of such Day Count Fraction, as indicated in the applicable Final Terms.
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.
Redemption:	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the 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 Issuer and the relevant Dealer and indicated in the applicable Final Terms.
Denomination of Notes:	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'' in this Overview. In addition, the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency). No sales of Restricted Notes in the United States to any one purchaser will be for less than U.S.$200,000.
Taxation:	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 7. In the event that any such withholding or deduction is required by law, the Issuer or, as the case may be, the Guarantor will, save in certain circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.
Status of the Notes:	The Notes will constitute direct, unconditional and unsecured obligations of the Issuer and will rank without preference among themselves and, subject as aforesaid, *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors' rights.
Guarantee:	The 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 (if any) 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.
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.
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, Japan, Hong Kong, Ireland, Singapore, Canada and Poland 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 the Issuer or any events of default other than those set out in Condition 9 (which do not include, inter alia, a cross default provision).

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer and the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer and the Guarantor becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme.

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

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

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

The outlook for the UK economy has remained challenging over the last year, with the UK economy dipping back into recession in the course of 2012. Though the economy returned to growth in the third quarter of 2012, this was in part due to one-off factors (such as the Olympics) and prospects for the 2013-2014 financial year remain challenging. Uncertainty surrounding the future of the eurozone, although less acute than before, may continue to pose a risk of further slowdown in economic activity in the UK's principal export markets which would have an effect on the broader UK economy. Domestically, both public and household spending are being constrained by austerity measures, and there is a risk of higher levels of unemployment combined with a decline in real disposable incomes.

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

As in several other economies, the UK Government has taken measures to address the exceptionally high level of national debt, including tax increases and public spending cuts. These measures have contributed to a slower recovery than other recent recessions. Political involvement in the regulatory process, in the behaviour and governance of the UK banking sector and in the major financial institutions in which the UK Government has a direct financial interest is set to continue. Credit quality could be adversely affected by a further increase in unemployment. This, plus the combination of slow economic recovery and UK Government intervention, together with any related significant reduction in the demand for the Group's products and services, could have a material adverse effect on its operating results, financial condition and prospects.

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

In the past five years, the financial systems worldwide have experienced difficult credit and liquidity conditions and disruptions leading to less liquidity, greater volatility, a general widening of spreads and, in some cases, lack of price transparency on interbank lending rates. Global economic

conditions deteriorated significantly between 2007 and 2009 and many countries, including the UK, have been in recession. Many major financial institutions, including some of the world's largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies, experienced significant difficulties. Around the world, there have also been runs on deposits at several financial institutions, numerous institutions have sought additional capital or have been assisted by central banks and governments providing liquidity, whilst many lenders and institutional investors have reduced or ceased providing funding to borrowers (including to other financial institutions). The global economic slowdown, and the downturn in the UK in particular, have had a negative impact on the UK economy and adversely affected the Group's business.

The following is an example of the most apparent risk factors related to the economic downturn:

- The Group potentially faces increased regulation of its industry. Compliance with such regulation may increase the Group's costs, may affect the pricing for its products and services, and limit its ability to pursue business opportunities.
- Reduced demand for the Group's products and services.
- Inability of the Group's borrowers to comply fully or in a timely manner with their existing obligations.
- The process the Group uses to estimate losses inherent in its credit exposure requires complex judgements, including forecasts of economic conditions and how these economic conditions might impair the ability of the Group's borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of the Group's estimates, which may, in turn, impact the reliability of the process and the quality of its assets.
- The value and liquidity of the portfolio of investment securities that the Group holds may be adversely affected.
- A worsening of the global economic conditions may delay the recovery of the international financial industry and impact the Group's financial condition and results of operations.

Uncertainty remains concerning the future economic environment and there is no assurance when conditions will significantly improve. While certain segments of the global economy are currently experiencing some modest recovery, the Group expects these conditions to continue to have an ongoing negative impact on its business and results of operations. Investors remain cautious and downgrades of the sovereign debt of certain eurozone countries have induced greater volatility in the capital markets. A slowing or failing of the economic recovery would likely aggravate the adverse effects of these difficult economic and market conditions on the Group and on others in the financial services industry.

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

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

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

The Group is subject to capital adequacy requirements applicable to banks and adopted by the Financial Services Authority (''FSA'') 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, the FCA and the Prudential Regulatory Authority (the ''PRA'') solely for the purpose of the calculation of capital resources and capital resources requirements, which measure the capital of Santander UK and certain subsidiaries) and a minimum ratio of Core Tier 1 capital to risk-adjusted assets on a consolidated basis. Any failure by us to maintain the Group's ratios may result in administrative actions or sanctions which may affect the Group's ability to fulfil the Group's obligations.

In response to the recent financial crisis, the FSA imposed more stringent capital adequacy requirements, and the FSA's regulatory successors, the FCA and the PRA, may continue to require more stringent capital adequacy standards including increasing the minimum regulatory capital requirements demanded of the Group. For instance, the FSA has adopted a supervisory approach in relation to certain UK banks, including Santander UK, under which those banks are expected to maintain Core Tier 1 capital in excess of the minimum levels required by the existing rules and guidance of the FSA or its successor bodies. In future, the FSA or the PRA may also impose higher capital requirements and target capital ratios as part of the implementation of UK macroprudential tools.

In December 2010, the Basel Committee on Banking Supervision (the "Basel Committee") proposed comprehensive changes to the capital adequacy framework, known as Basel III. A revised version of these proposals was issued in June 2011. The reforms to the regulatory capital framework were proposed to raise the resilience of the banking sector, through increasing both the quality and quantity of the regulatory capital base and enhancing the risk coverage of the capital framework. As part of these reforms, the amount and quality of Tier 1 capital that institutions are required to hold was raised; innovative Tier 1 capital instruments with an incentive to redeem are to be phased out and the rules for determining Tier 2 capital instruments are to be harmonised. Basel III also requires institutions to build counter-cyclical capital buffers that may be drawn upon in stress periods and to hold a capital conservation buffer above minimum capital ratio levels, which have the effect of raising the minimum level of tangible common equity capital from 2 per cent. to 7 per cent. of risk-weighted assets. In addition a leverage ratio was proposed for institutions as a backstop, which would be applied alongside current risk-based regulatory capital requirements. The changes in Basel III are proposed to be phased in gradually between January 2013 and January 2022.

The implementation of Basel III in the European Union is being performed through the Capital Requirements Directive IV and Capital Requirements Regulation ("CRDIV / CRR") legislative package. In early 2013 the draft legislation remains under discussion between the European Parliament, the European Commission and the Council of Ministers. The final capital framework to be established in the EU under CRDIV / CRR is likely to differ from Basel III in certain areas and the implementation date is still subject to uncertainty.

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

- the introduction of recovery and resolution planning requirements (popularly known as "living wills") for banks and other financial institutions as contingency planning for the failure of a financial institution that may affect the stability of the financial system;
- the implementation of the Financial Services Act 2012, which enhances the FCA and PRA's disciplinary and enforcement powers;
- the introduction of more regular and detailed reporting obligations;
- a move to pre-funding of the deposit protection scheme in the UK;
- the recommendation by the Financial Policy Committee of the Bank of England that the PRA should take steps to ensure that, by the end of 2013, major UK banks and building societies hold Core Tier 1 capital reserves equivalent to at least 7 per cent. of their risk weighted assets; and
- proposed revisions to the approaches for determining trading book capital requirements and banking book risk-weighted assets from the Basel Committee.

These measures could have a material adverse effect on the Group's operating results, financial condition and prospects. There is a risk that changes to the UK's capital adequacy regime (including any introduction of a minimum leverage ratio) may result in increased minimum capital requirements, which could reduce available capital 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 (alternatively the Group could restructure its balance sheet to reduce the capital charges incurred pursuant to the FSA's (and its successors) rules in relation to the assets held, or raise additional capital but at increased cost and subject to prevailing market conditions). In addition, changes to the eligibility criteria for Tier 1 and Tier 2 capital may affect the Group's ability

to raise Tier 1 and Tier 2 capital and impact the recognition of existing Tier 1 and Tier 2 capital resources in the calculation of the Group's capital position.

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

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

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

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

As with the Basel Committee's proposed changes to the capital adequacy framework, the draft liquidity framework remains under discussion within the EU and the final framework to be established could differ from Basel III in certain areas. The implementation date is still subject to uncertainty.

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.

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

Like many other UK banks, the Group invests in debt securities of the UK Government largely for liquidity purposes. As of 31 December, 2012, approximately 2% of the Group's total assets and 51% of its securities portfolio were comprised of debt securities issued by the UK Government. Any failure by the UK Government to make timely payments under the terms of these securities, or a significant decrease in their market value, will have a material adverse effect on the Group.

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

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

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

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

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

Though the possibility may be more remote following the measures taken in 2012, a wide-scale break-up of the eurozone would most likely be associated with a deterioration in the economic and financial environment in the UK and could have a material adverse impact on the whole financial sector, creating new challenges in sovereign and corporate lending and resulting in significant disruptions in financial activities at both the market and retail levels. This could materially and adversely affect the Group's operating results, financial position and prospects.

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

The departure or risk of departure from the euro by one or more eurozone countries and/or the abandonment of the euro as a currency could have negative effects on both existing contractual relations and the fulfilment of obligations by the Group, its counterparties and/or the Group's customers, which would have a significant negative impact on the Group's activity, operating results and capital and financial position.

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

The Group is exposed to risks faced by other financial institutions.

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

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

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

Continued or worsening disruption and volatility in the global financial markets could have a material adverse effect on the Group's ability to access capital and liquidity on financial terms acceptable to it. The Group's cost of obtaining funding is directly related to prevailing market interest rates and to its credit spreads. Increases in interest rates and the Group's credit spreads can significantly increase the cost of its funding. Changes in the Group's credit spreads are market-driven, and may be influenced by market perceptions of its creditworthiness. Changes to interest rates and the Group's credit spreads occur continuously and may be unpredictable and highly volatile.

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

Although central banks around the world have made coordinated efforts to increase liquidity in the financial markets, by taking measures such as increasing the amounts they lend directly to financial institutions, lowering interest rates and significantly increasing temporary reciprocal currency arrangements (or swap lines), it is not known how long central bank schemes will continue or on what terms. The Bank of England's Special Liquidity Scheme expired at the end of January 2012, although the Bank of England has implemented the Extended Collateral Term Repo facility (''ECTR'') which aims to increase liquidity in the market, and the Funding for Lending Scheme (the ''FLS'') which aims to reduce cost of funding for participating financial institutions such as the Group. As at 31 December, 2012, the Group had drawn £1.0bn of UK treasury bills under the FLS and it may make further usage of the FLS before the drawdown period ends on 31 January, 2014.

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

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

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

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

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

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

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

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

For example, the Group estimates that as at 31 December, 2012, if all the rating agencies were to downgrade its long-term credit ratings by one notch, and thereby trigger a short-term credit rating downgrade, this could result in outflows from the Group's total liquid assets of £2.0bn of cash and £6.6bn in additional collateral that the Group would be required to be post under the terms of its secured funding and derivative contracts. A hypothetical two notch downgrade would result in an additional outflow of £0.4bn of cash and £1.4bn of collateral under the Group's secured funding and derivative contracts.

However, while certain potential impacts are contractual and quantifiable, the full consequences of a credit rating downgrade are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade, whether any downgrade of a firm's long-term credit rating precipitates downgrades to its short-term credit rating, and assumptions about the potential behaviours of various customers, investors and counterparties. Actual outflows could be higher or lower than this hypothetical example, depending upon certain factors including which credit rating agency had downgraded the Group's credit rating, any management or restructuring actions that could be taken to reduce cash outflows and the potential liquidity impact from loss of unsecured funding (such as from money market funds) or loss of secured funding capacity. Although unsecured and secured funding stresses are included in the Group's stress testing scenarios and a portion of the Group's total liquid assets is held against these risks, it is still the case that a credit rating downgrade could have a material adverse effect on the Group. In addition, if the Group were required to cancel its derivatives contracts with certain counterparties and were unable to replace such contracts, its market risk profile could be altered.

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

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

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

Market risk refers to the probability of variations in the Group's net interest income or in the market value of the Group's assets and liabilities due to volatility of interest rate, exchange rate or

equity price. Changes in interest rates affect the following areas, among others, of the Group's business:

- net interest income;
- the volume of loans originated;
- the market value of the Group's securities holdings; and
- gains from sales of loans and securities.

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

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

If interest rates decrease, although this is likely to reduce the Group's funding costs, it is likely to adversely impact the income the Group receive arising from the Group's investments in securities as well as loans with similar maturities.

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

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

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

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

In the past five years, financial markets have been subject to significant stresses resulting in steep falls in perceived or actual financial asset values, particularly due to volatility in global financial

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

In addition, to the extent that fair values are determined using financial valuation models, such values may be inaccurate or subject to change, as the data used by such models may not be available or may become unavailable due to changes in market conditions, particularly for illiquid assets, and particularly in times of economic instability. In such circumstances, the Group's valuation methodologies require it to make assumptions, judgements and estimates in order to establish fair value. This is a challenging task as reliable assumptions are difficult to make and are inherently uncertain. Moreover valuation models are complex, making them inherently imperfect predictors of actual results. Any consequential impairments or write-downs could have a material adverse effect on the Group's operating results, financial condition and prospects.

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

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

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

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

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

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

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

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

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

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

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

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

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

The management of risk is an integral part of the Group's activities. The Group seeks to monitor and manage its risk exposure through a variety of separate but complementary financial, credit, market, operational, compliance and legal reporting systems. While the Group employs a broad and diversified set of risk monitoring and risk mitigation techniques, such techniques and strategies may not be fully effective in mitigating the Group's risk exposure in all economic market environments or against all types of risk, including risks that the Group fails to identify or anticipate. Some of the Group's qualitative tools and metrics for managing risk are based upon its use of observed historical market behaviour. The Group applies statistical and other tools to these

observations to arrive at quantifications of the Group's risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the Group did not anticipate or correctly evaluate in its statistical models. This would limit the Group's ability to manage its risks. The Group's losses thus could be significantly greater than the historical measures indicate. In addition, the Group's quantified modelling does not take all risks into account. The Group's more qualitative approach to managing those risks could prove insufficient, exposing it to material unanticipated losses. If existing or potential customers believe the Group's risk management is inadequate, they could take their business elsewhere. This could harm the Group's reputation as well as its revenues and profits. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Group will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the FSA (including any successor).

Competition with other financial institutions could adversely affect the Group.

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

The Group expects competition to intensify in response to consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors. 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 operating results, financial condition and prospects. There can be no assurance that this increased competition will not adversely affect the Group's growth prospects, and therefore its operations. The Group also faces competition from non-bank competitors, such as supermarkets and department stores for some credit products, and generally from other loan providers.

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

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

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

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

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

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

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

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

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

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

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

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

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

The value of the collateral securing the Group's loan portfolio may significantly fluctuate or decline due to factors beyond the Group's control, including macroeconomic factors affecting the UK's economy. The real estate market is particularly vulnerable in the current economic climate and the residential mortgage loan portfolio is one of the Group's principal assets, comprising 85% of the Group's loan portfolio as of 31 December, 2012. As a result, the Group is highly exposed to developments in the residential property market in the UK.

The UK housing market has remained muted throughout 2012, with transaction levels well below historic norms and house prices broadly flat for the past two years. An increase in house prices may be limited by the high level of prices relative to household earnings and the more restricted availability of mortgage credit relative to pre-crisis levels. The depth of the previous house price declines as well as the continuing uncertainty as to the timing and extent of the economic recovery will mean that losses could be incurred on loans should they go into possession. The UK commercial property market conditions remain extremely challenging. After some recovery, commercial property capital values have seen further steady declines since Q4 2011 and the investment market has had lower transaction levels in 2012 as a result of weak demand. These developments mean that the outlook for the UK commercial property market remains uncertain.

The continued effect of margin pressure and exposure to both retail and commercial loan impairment charges resulting from the impact of general economic conditions means that the Group may continue to experience low levels of profitability and growth, and there remains the possibility of further downward pressure on profitability depending on a number of external influences, such as the consequences of a more austere economic environment.

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

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

The credit card industry is highly competitive and entails significant risks, including the possibility of over-indebtedness of customers, which could have a material adverse effect on the Group.

The Group's credit card business is subject to a number of risks and uncertainties, including the possibility of over-indebtedness of its customers, despite its focus on low-risk, medium- and high-income customers.

The credit card industry is characterised by higher consumer default than other credit industries, and defaults are highly correlated with macroeconomic indicators that are beyond the Group's control. Part of the Group's current growth strategy is to increase volume in the credit card portfolio, which may increase the Group's exposure to risk in the Group's loan portfolio. If UK economic growth slows or declines, or if the Group fails to effectively analyse the creditworthiness of its customers (including by targeting certain sectors), it may be faced with unexpected losses that could have a material adverse effect on it.

The Group has a core strategy to grow the Group's operations but if the Group is unable to manage such growth effectively, this could have an adverse impact on its profitability.

The Group allocates management and planning resources to develop strategic plans for organic growth, and to identify possible acquisitions and disposals and areas for restructuring its businesses. The Group cannot provide assurance that it will, in all cases, be able to manage its growth effectively

or deliver its strategic growth objectives. Challenges that may result from the Group's strategic growth decisions include its ability to:

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

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

The Group's future acquisitions may not be successful and may be disruptive to the Group's business.

The Group has acquired controlling interests in various companies, such as Alliance & Leicester plc, with effect from 2008, and have engaged in other strategic ventures such as the acquisition of certain retail assets of Bradford & Bingley plc in 2008. From time to time, the Group evaluates acquisition and partnership opportunities that it believes offer additional value to its shareholders and are consistent with its business strategy. However, the Group may not be able to identify suitable acquisition or partnership candidates, and the Group may not be able to acquire promising targets or form partnerships on favourable terms or at all. Furthermore preparations for acquisitions which do not complete can be disruptive. The Group bases its assessment of potential acquisitions and partnerships on limited and potentially inexact information and on assumptions with respect to value, operations, profitability and other matters that may prove to be incorrect. The Group's ability to benefit from any such acquisitions and partnerships will depend in part on its successful integration of those businesses. The Group cannot provide any assurance that its expectations with regards to integration and synergies will materialise. The integration of acquired businesses or partners' businesses entails significant risks, including:

- unforeseen difficulties in integrating operations and systems;
- inability to modify accounting standards rapidly;
- problems assimilating or retaining the employees of acquired businesses or partners' businesses;
- challenges retaining customers of acquired businesses or partners' businesses;
- unexpected liabilities or contingencies relating to the acquired businesses, including legal claims;
- the possibility that management may be distracted from day-to-day business concerns by integration activities and related problem-solving; and
- the possibility of regulatory restrictions that prevent the Group from achieving the expected benefits of the acquisition or partnership.

In addition, an acquisition or a partnership could result in the loss of key employees and inconsistencies in standards, controls, procedures and policies. Moreover, the success of the acquisition or the partnership will at least in part be subject to a number of political, economic and other factors that are beyond the Group's control. Any or all of these factors, individually or collectively, could have a material adverse effect on it.

Goodwill impairments may be required in relation to acquired businesses.

The Group has made business acquisitions in recent years and may make more in the future. It is possible that the goodwill which has been attributed, or may be attributed, to these businesses may have to be written-down if the Group's valuation assumptions are required to be reassessed as a result of any deterioration in their underlying profitability, asset quality and other relevant matters.

Although no impairment of goodwill was recognised in 2012, in 2011 there was a £60m impairment as a result of a reassessment of the value of certain parts of the business in light of market conditions and regulatory developments. Impairment testing in respect of goodwill is performed annually, more frequently if there are impairment indicators present, and comprises a comparison of the carrying amount of the cash-generating unit with its recoverable amount. Goodwill impairment does not however affect the Group's regulatory capital. There can be no assurances that the Group will not have to write down the value attributed to goodwill in the future, which would adversely affect the Group's results and net assets.

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

As a financial institution, the Group is subject to extensive financial services laws, regulations, administrative actions and policies in the UK and each location in which it operates (including in the US and, indirectly, in Spain by the Banco de España (the Bank of Spain) as a result of being part of the Banco Santander, S.A. group) which materially affects the Group's businesses. Statutes, regulations and policies to which the Group are subject, in particular those relating to the banking sector and financial institutions, may be changed at any time, and the interpretation and the application of those laws and regulations by regulators is also subject to change. Any legislative or regulatory actions and any required changes to the Group's business operations resulting from such legislation and regulations could result in significant loss of revenue, limit its ability to pursue business opportunities in which it might otherwise consider engaging, affect the value of assets that it holds, require the Group to increase its prices and therefore reduce demand for the Group's products, impose additional costs on it or otherwise adversely affect the Group's businesses. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect the Group.

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

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

On 16 June, 2010, the Chancellor of the Exchequer announced the creation of the Independent Commission on Banking (the ''ICB''), chaired by Sir John Vickers. The ICB was asked to consider structural and related non-structural reforms to the UK banking sector to promote financial stability and competition, and to make recommendations to the UK Government. The ICB gave its recommendations on 12 September, 2011 and proposed: (i) implementation of a retail ring fence; (ii) increased capital requirements; and (iii) improvement of competition, which were broadly endorsed by the Government in its response published on 19 December, 2011. A White Paper was published on 14 June, 2012 detailing how the Government intends to implement the recommendations of the ICB. A draft of the initial bill to implement the ICB recommendations was published on 12 October, 2012, in the format of framework legislation to put in place the architecture to effect the reforms, with detailed policy being provided for through secondary legislation. On 4 February, 2013, the Financial Services (Banking Reform) Bill was introduced to Parliament. The Government expects the legislation to be in place by 2015 and to take effect by 2019. Implementation of the proposals may require the Group to make changes to its structure and business.

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

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

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

Under the Financial Services Act 2012 (the "Act") which received Royal Assent on 19 December, 2012 the Government announced a range of structural reforms to UK financial regulatory bodies that have been implemented in early 2013, as follows:

- the FSA has ceased to exist;
- a new Financial Policy Committee has been established within the Bank of England which is responsible for macroprudential regulation, or regulation of stability and resilience of the financial system as a whole;
- an independent subsidiary of the Bank of England, the PRA has been established to oversee micro-prudential regulation of financial institutions that manage significant risks on their balance sheets; and
- the FCA has been established and has the responsibility for conduct of business and markets regulation.

In addition, the Act also contains provisions enabling consumer credit regulation to be transferred from the Office of Fair Trading (the "OFT") to the FCA. This decision will be subject to further consultation. The FCA also represents the UK's interests in market regulation at the new European Securities and Markets Authority.

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

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

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

In 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. As part of the Turner Review, the FSA published a discussion paper outlining proposals for reform of the mortgage market. Subsequently the FSA commenced a wide ranging consultation on mortgage lending – the FSA's Mortgage Market Review (''MMR''). The MMR concluded with the publication of Final Rules by the FSA on 25 October, 2012 that will amend existing conduct rules for mortgage lending in the FSA Handbook. The new rules will come into effect on 26 April, 2014. Principal changes centre upon responsible lending and include:

- more thorough verification of borrowers income (no self-certification of income, mandatory third party evidence of income required);
- assessment of affordability of interest-only loans on a capital and interest basis unless there is a clearly understood and believable alternative source of capital repayment;
- application of interest rate stress tests – lenders must consider likely interest rate movements over a minimum period of 5 years from the start of the mortgage term;
- when making underwriting assessments lenders must take account of future changes to income and expenditure that a lender knows of or should have been aware of from information gathered in the application process; and
- lenders may base their assessment of customers' income on actual expected retirement age rather than state pension age. Lenders will be expected to assess income into retirement to judge whether the affordability tests can be met.

There are also significant changes to mortgage distribution and advice requirements in sales, arrears management and requirements on contract variations such as when additional borrowing is requested.

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

Separately, throughout 2012, HM Treasury announced a number of measures with the aim of enhancing consumer protection in unsecured and secured credit lending. The measures provide for the transfer of responsibility for consumer credit control and supervision from the OFT to the new FCA. The intention of HM Treasury is that transfer of control will take place in April 2014. It is expected that HM Treasury will publish results of a Regulatory Impact Assessment together with a consultation on legislative change and the details of the high level regime in early 2013. Consultation will commence on the high level conduct of business rules in early 2013 and consultation on the new FCA consumer credit regime commenced in March 2013.

A likely consequence of these pending changes is that the Group will have to review and reform the sales processes and documentation of the Group's consumer credit products including the Group's credit card and unsecured personal loan products before April 2014. This review and the changes the Group may have to make could adversely affect its business.

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

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

- certain aspects of the Group's business may be determined by the Bank of England, the FCA and PRA, HM Treasury, the OFT, 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 misselling of financial products, such as payment protection insurance, including as a result of having sales practices and/or rewards structures that are deemed to have been inappropriate, resulting in disciplinary action (including significant fines) or requirements to amend sales processes, withdraw products, or provide restitution to affected customers, all of which may require additional provisions to be recorded in the Group's financial statements and could adversely impact future revenues from affected products;
- the Group holds accounts for entities that might be or are subject to interest from various regulators, including the UK's Serious Fraud Office, regulators in the US and elsewhere. The Group is not aware of any current investigation into it as a result of any such enquiries, but cannot exclude the possibility of the Group's conduct being reviewed as part of any such investigation; and
- the Group may be liable for damage to third parties harmed by the conduct of its business.

The Group is from time to time subject to certain claims and parties to certain legal proceedings incidental to the normal course of its business, including in connection with its lending activities, relationships with its employees and other commercial or tax matters. These can be brought against the Group under UK regulatory processes or in the UK courts, or those in other jurisdictions where the Group operates including other European countries and the US. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in the early stages of discovery, the Group cannot state with confidence what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be and these pending matters are not disclosed by name because they are under assessment. The Group believes that it has made adequate reserves related to the costs anticipated to be incurred in connection with these various claims and legal proceedings. However, the amount of these reserves is substantially less than the total amount of the claims asserted against the Group and in light of the uncertainties involved in such claims and proceedings, there can be no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by it. As a result, the outcome of a particular matter may be material to the Group's operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and its level of income for that period.

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

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

Potential intervention by the FCA or PRA may occur, particularly in response to customer complaints.

Following the onset of the recent financial crisis, the FSA adopted a more intrusive and direct style of regulation which it has termed ''intensive supervision''. This strategy, combined with the FSA and its successor bodies' outcome focused regulatory approach, more proactive enforcement and more punitive penalties for infringements means that FSA, FCA or PRA-authorised firms are facing increasing supervisory intrusion and scrutiny (resulting in increasing internal compliance costs and supervision fees) and in the event of a breach of their regulatory obligations are likely to face more stringent penalties. It is anticipated that this intensive approach to supervision will be continued by the FCA and PRA.

The regulatory regime requires the Group to be in compliance across all aspects of its business, including the training, authorisation and supervision of personnel, systems, processes and documentation. If the Group fail to be compliant with relevant regulations, there is a risk of an adverse impact on its business from sanctions, fines or other action imposed by the regulatory authorities. Customers of financial services institutions, including the Group's customers, may seek redress if they consider that they have suffered loss as a result of the 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 judgements by the FOS, it is possible that an adverse outcome in some matters could have a material adverse effect on the Group's

operating results, financial condition and prospects arising from any penalties imposed or compensation awarded, together with the costs of defending such an action.

The Financial Services Act 2010 provided a new power for the FSA which enables the FSA to require authorised firms, including Santander UK, 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 misselling.

In recent years there have been several industry-wide issues in which the FSA has intervened directly. One such issue is the misselling of payment protection insurance (''PPI''). In August 2010, the FSA published a policy statement entitled ''The assessment and redress of Payment Protection Insurance complaints''. This policy statement contained rules from the FSA which altered the basis on which the FSA regulated firms (including Santander UK and certain members of the Group) must consider and deal with complaints in relation to the sale of PPI and potentially increased the amount of compensation payable to customers whose complaints are upheld. A legal challenge of these rules by the British Bankers' Association (the 'BBA') was unsuccessful. In light of this and the consequential increase in claims levels the Group performed a detailed review of its provision requirements and as a result, revised its provision for PPI complaint liabilities to reflect the new information. The overall effect of the above was a substantial increase in the provision requirement for 2011.

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

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

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

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

The Banking Act came into force on 21 February, 2009. The special resolution regime set out in the Banking Act provides HM Treasury, the Bank of England and the FSA (and its successor bodies) 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 shares or other securities or property of Santander UK; (ii) impact on the rights of the holders of shares or other securities in Santander UK or result in the nullification or modification of the terms and conditions of such shares or securities; or (iii) result in the de-listing of Santander UK's shares and/or other securities. In addition, such an order may affect matters in respect of Santander UK and/or other aspects of Santander UK's shares or other securities which may negatively affect the ability of Santander UK to meet its obligations in respect of such shares or securities.

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

In June 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the ''CMD''). The stated aim of the draft CMD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The draft CMD currently contains similar resolution tools and powers to the Banking Act, and also includes a ''bail-in'' power which, if implemented, would give resolution authorities the power to write down the claims of unsecured creditors of a failing institution and to convert unsecured debt claims to equity (subject to certain parameters). The draft CMD, and similarly the Presidency Compromise text of the draft CMD dated 15 January 2013, currently contemplate that its provisions must be applied by Member States from 1 January, 2015 except for the bail-in tool (in relation to certain instruments) which is to be applied from 1 January, 2018.

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

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

In the UK, the Financial Services Compensation Scheme (''FSCS'') was established under the Financial Services and Markets Act 2000 and is the UK's statutory fund of last resort for customers of authorised financial services firms. The FSCS can pay compensation to customers if an FSA, FCA or PRA-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, FCA or PRA, including Santander UK and other members of the Group.

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

In addition, regulatory reform initiatives in the UK and internationally may result in further changes to the FSCS, which could result in additional costs and risks for the Group. For instance, the FSA announced in October 2011 that it was restarting its review of the funding of the FSCS and on 25 July, 2012 it announced a consultation on proposed changes to the funding of the FSCS, with comments due by 25 October, 2012. Following this consultation, whilst most of the proposals were taken forward and came into effect from 1 April, 2013, other proposals relating to intermediaries and investment providers were revised and a consultation on these revised proposals closed on 18 February, 2013. Changes as a result of this may affect the profitability of Santander UK (and other members of the Group required to contribute to the FSCS).

As a result of the structural reorganisation and reform of the UK financial regulatory authorities, it is proposed that the FSCS levies will be collected by the FCA under the new regime. It is possible that future policy of the FSCS and future levies on the firms authorised by the FSA, FCA

or PRA may differ from those at present and that this could lead to a period of some uncertainty for members of the Group. In addition, it is possible that other jurisdictions where the Group operates could introduce or amend their similar compensation, contributory or reimbursement schemes. As a result of any such developments, the Group may incur additional costs and liabilities which may adversely affect its operating results, financial condition and prospects.

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

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

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

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

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Group will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the FCA or PRA.

Changes in taxes and other assessments may adversely affect the Group.

The tax and other assessment regimes to which the Group and its customers are subject are regularly reformed, or subject to proposed reforms. Such reforms include changes in the rate of assessments and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified and there can be no assurance that these reforms will not, once implemented, have an adverse effect upon the Group's business. Furthermore, such changes may produce uncertainty in the financial system, increasing the cost of borrowing and contributing to the increase in the Group's non-performing credit portfolio. The following paragraphs discuss three major reforms (the UK bank levy, FATCA and possible future changes in the taxation of banking groups in the European Union) which could have a material adverse effect on the Group's operating results, financial condition and prospects, and the competitive position of UK banks, including Santander UK.

UK Bank Levy: HM Treasury introduced an annual UK bank levy (the ''Bank Levy'') via legislation in the Finance Act 2011. The Bank Levy is imposed on (amongst other entities) UK banking groups and subsidiaries, and therefore applies to Santander UK. The amount of the Bank Levy is based on a bank's total liabilities, excluding (amongst other things) Tier 1 Capital, insured retail deposits and repos secured on sovereign debt. A reduced rate is applied to longer-term

liabilities. The UK Government intends that the Bank Levy should raise at least £2.5bn each year. To offset the shortfall in Bank Levy receipts, and also to take account of the benefit to the banking sector of reductions in the rate of corporation tax, there was an increase in the rates of Bank Levy from 1 January, 2012 with further increases from 1 January, 2013 and 1 January, 2014.

FATCA: Sections 1471 through 1474 of the United States Internal Revenue Code (''FATCA'') impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to any non-US financial institution (a ''foreign financial institution'' or ''FFI'' (as defined by FATCA)) that (i) does not become a ''Participating FFI'' by entering into an agreement with the US Internal Revenue Service (the ''IRS'') to provide the IRS with certain information in respect of its account holders and investors; or (ii) is not otherwise exempt from or in deemed compliance with FATCA. Santander UK is classified as an FFI. Final regulations implementing FATCA were promulgated in January 2013. The new reporting and withholding regime will be phased in over time (with withholding beginning 1 January, 2014 for certain payments from sources within the US and 1 January, 2017 for payments of gross proceeds on assets that could generate US source dividend or interest and ''foreign passthru payments'' (a term not yet defined)).

The US and the UK have entered into an agreement (the ''US-UK IGA'') under which the Group expects to be treated as a Reporting FI (as defined by the US-UK IGA) and accordingly does not anticipate being required to deduct any tax under FATCA. The Group will, however, be required to comply with certain due diligence and reporting requirements to HMRC. There can be no assurance that the Group will be treated as a Reporting FI or that in the future it would not be required to deduct tax under FATCA from payments it makes on certain financial products. The Regulations implementing the US-UK IGA and accompanying guidance on their application were published in draft form in December 2012 and remain subject to further consultation and revision.

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

Similarly, on 24 December, 2012, pursuant to paragraphs 491 to 500 of Article 1 of the Italian Law 288, a financial transaction tax in Italy was introduced (the ''Italian Financial Transaction Tax''). Secondary legislation implementing the Italian Financial Transaction Tax is still to be issued. The Italian Financial Transaction Tax is set to be imposed on certain transactions, referenced to, or in relation with, shares of Italian resident companies. The Italian Financial Transaction Tax rate is between 0.12% and 0.22% of the sale price of the transaction.

Furthermore, in September 2011, the European Commission (the ''Commission'') tabled a proposal for a common system of financial transactions taxes (''EU Financial Transaction Tax''). Despite intense discussions on this proposal, there was no unanimity amongst the 27 Member States. Eleven Member States (each a ''Participating Member State'') requested enhanced cooperation on a EU Financial Transaction Tax based upon the Commission's original proposal. The Commission presented a Decision to this effect and this Decision was adopted by the EU's Council of Finance Ministers at its committee meeting on 22 January, 2013. The formal Directive was published on 14 February, 2013, under which Participating Member States may charge a EU Financial Transaction Tax on all financial transactions with effect from 1 January, 2014 where (i) at least one party to the transaction is established in the territory of a Participating Member State and (ii) a financial institution established in the territory of a Participating Member State is a party to the transaction acting either for its own account or for the account of another person, or is acting in the name of a party to the transaction. Whilst the UK is not a Participating Member State, the Directive proposals are broad and as such may impact transactions completed by financial institutions operating in non-participating Member States. The Group is still assessing the proposals in order to determine their likely impact.

Changes in Santander UK's pension liabilities and obligations could have a materially adverse effect.

Santander UK provides retirement benefits for many of its former and current employees in the UK through a number of defined benefit pension schemes established under trust. Santander UK has 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 Santander UK are service companies, if they become insufficiently resourced, other companies within Santander UK which are connected with or an associate of those employers are at risk of a financial support direction in respect of those employers' liabilities to the defined benefit pension schemes in circumstances where the Pensions Regulator properly considers it reasonable to issue one. Such a financial support direction could require the companies to guarantee or provide security for the pension liabilities of those employers, or could require additional amounts to be paid into the relevant pension schemes in respect of them.

The UK courts have decided that liabilities under financial support directions issued by the Pensions Regulator against companies after they have gone into administration were payable as an expense of the administration, and did not rank as provable debts. This means that such liabilities will have to be satisfied before any distributions to unsecured creditors could be made. It is understood that leave to appeal to the Supreme Court has been requested and therefore it is likely that there will be a further decision to come.

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 Santander UK's freedom to restructure or to undertake certain corporate activities.

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in accounting standards could impact reported earnings.

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

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

The Group's ability to remain competitive depends to a significant extent upon the functionality of its information technology systems (including Partenon, the global banking informational

technology platform utilised by Banco Santander, S.A and the Group), and on the Group's ability to upgrade and expand the capacity of the Group's information technology on a timely and cost-effective basis. The proper functioning of the Group's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its branches and main data processing centres, are critical to the Group's business and its ability to compete. The Group must continually make significant investments and improvements in its information technology infrastructure in order to remain competitive. The Group cannot provide assurances that in the future it will be able to maintain the level of capital expenditures necessary to support the improvement, expansion or upgrading of its information technology infrastructure as effectively as its competitors, which may result in a loss of the competitive advantages that it believes its information technology systems provide. Any failure to effectively improve, expand or upgrade the Group's information technology infrastructure and management information systems in a timely manner could have a material adverse effect on it.

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

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

The Group has outstanding obligations under UK Government support schemes which could have a material adverse effect on it.

The Bank of England and HM Treasury launched the Funding for Lending Scheme ('FLS') in July 2012. The FLS is designed to boost lending to UK households and non-financial companies, by providing funding to banks and building societies for an extended period, with both the price and quantity of funding provided linked to the net lending to the UK non-financial sector over the 18-month period. The FLS will allow participants to borrow UK Treasury bills in exchange for eligible collateral during a drawdown window spanning the 18-month period from 1 August, 2012 to 31 January, 2014. Eligible collateral consists of all collateral eligible in the Bank of England's Discount Window Facility. Santander UK had an outstanding FLS drawing of £1 billion as at 31 December, 2012.

The Bank of England's Extended Collateral Term Repo Facility ('ECTR') was announced in June 2012, in order to provide short-term liquidity to the market. This is provided through monthly auctions and using eligible collateral as security. Eligible collateral consists of all collateral eligible in the Bank of England's Discount Window Facility.

Along with other major UK banks and building societies, Santander UK participated in the Bank of England's Special Liquidity Scheme ('SLS') whereby it exchanged self-subscribed for asset-backed security issuances for highly liquid Treasury Bills. All major UK banks and building societies were required to participate as part of the measures designed to improve the liquidity position of the UK banking system in general. Under the terms of the scheme, the extent of usage was confidential. Santander UK's balances outstanding under the SLS were repaid in January 2012.

Risks relating to the Notes

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

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

The Issuer 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 Issuer's or the Guarantor's creditworthiness;
- the market for similar securities;
- 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; 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 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 Issuer 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 Issuer and the Guarantor may be a party to contracts with a number of other third parties that have agreed to perform services in relation to the 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 Issuer 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 Issuer 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.

U.S. Foreign Account Tax Compliance Act

The Issuer expects to satisfy the conditions of the US-UK IGA and accordingly does not expect to be required to deduct any tax under FATCA. There can be no assurance that the Issuer will be

treated as satisfying the conditions of the US-UK IGA or that in the future it would not be required to deduct tax under FATCA from foreign passthru payments on the Notes.

If an amount in respect of FATCA were to be deducted or withheld either against the Issuer or from interest, principal or other payments on the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. FATCA is particularly complex and its application is uncertain at this time.

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.

Leveraged Floating Rate Notes

Notes with floating interest rates can be volatile investments. If they are structured to include multipliers, or caps or floors, or any combination of those features, their market value may be more volatile than those for securities that do not include these features.

Variable Interest Notes

The market value of Variable Interest Notes may be more volatile than for securities that do not determine the accrual of interest on the basis of an underlying reference rate. The investor may receive substantially less interest than the rate of accrual interest specified in the applicable Final Terms 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.

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 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 (the ''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.

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

Whilst any 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, 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, 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 9) has occurred and is continuing,

(2) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no alternative clearing system satisfactory to the Issuer, the Principal Paying Agent and the Trustee is available, or

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

The Issuer will promptly give notice to the Noteholders in accordance with Condition 13 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 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 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, 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, 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.

Registered 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 interest coupons or talons (a ''Regulation S Global Note'') which will be deposited with a common depositary, common safekeeper or depositary, 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 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 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 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").

Where a Registered Global Note issued in respect of any Tranche is intended to be held under the new safekeeping structure ("NSS"), the relevant clearing system(s) will be notified whether or not such Registered Global Note is intended to be held in a manner which would allow Eurosystem eligibility. Any indication that a Registered Global Note is to be so held under NSS does not necessarily mean that the Registered Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The common safekeeper for a Registered Global Note held under NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

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 5(*d*)) as the registered holder(s) of the Registered Global Notes. None of the Issuer, the Guarantor, the Trustee, any Paying 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 5(*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 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 9) has occurred and is continuing;

(2) in the case of Notes represented by a Rule 144A Global Note only, DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system satisfactory to the 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 Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no alternative clearing system satisfactory to the Issuer, the Principal Paying Agent, the Registrar and the Trustee is available; or

(4) the 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 Issuer will promptly give notice to the Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (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 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.

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 and Clearstream, Luxembourg, 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 at a point after the Issue Date of the further Tranche, 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 such time as the Tranches are consolidated and form a single Series, which shall not be prior to 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 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 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 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 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 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 and/or Clearstream, Luxembourg 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 Issuer, the Guarantor, the Principal Paying 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 Issuer, the Guarantor, the Principal Paying 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 €100,000 (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.

ABBEY NATIONAL TREASURY SERVICES 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 [ ] [and the supplement[s] to it dated []] which [together] constitute[s] a base prospectus for the purposes of 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] [has / have] been published on the website of the London Stock Exchange through a regulatory information service (http://www.londonstockexchange.com/exchange/news/market-news/marketnews-home.html).]

[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 [ ] [and the supplement[s] to it dated [ ]] which are incorporated by reference in the Prospectus dated [ ]. 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 dated [ ] [and the supplement[s] to it dated [ ]] 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 [ ] [and the supplement[s] to it dated [ ]]. Copies of such Information Memoranda and Prospectus [and the supplement[s] to [it] [them] have been published on the website of the London Stock Exchange through a regulatory information service (http://www.londonstockexchange.com/exchange/news/market-news/marketnews-home.html).]

1.	(i)	Issuer:	Abbey National Treasury Services plc
	(ii)	Designated Branch:	[[ ]/Not Applicable]
	(iii)	Guarantor:	Santander UK plc
2.	(i)	Series Number:	[ ]
	(ii)	Tranche Number:	[ ]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 below, which is expected to occur on or about [ ]][Not Applicable]
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 [ ]]
6.	(i) Specified Denominations:	[ ]
	(ii) Calculation Amount	[ ]
7.	(i) Issue Date:	[ ]
	(ii) Interest Commencement Date (if different from the Issue Date):	[[ ]/Not Applicable]
8.	Maturity Date:	[[ ][not] subject to adjustment [in accordance with the Business Day Convention set out in paragraph [14(iii)/15(vi)/16(iii)/17(iii)] below]/[Interest Payment Date falling in or nearest to [ ]]
9.	Interest Basis:	[[ ] per cent. Fixed Rate] [[[ ] month [ ]LIBOR/EURIBOR/HIBOR/SIBOR] +/- [ ] per cent. Floating Rate] [[ ] per cent. minus [[ ] month [ ]LIBOR/EURIBOR/HIBOR/SIBOR] Inverse Floating Rate] [[ ] x [ ] month [[ ]LIBOR/EURIBOR/HIBOR/SIBOR] Leveraged Floating Rate] [[ ] per cent. minus ([[ ] x [ ] month [[ ] LIBOR/EURIBOR/HIBOR/SIBOR]) Leveraged Inverse Floating Rate] [Zero Coupon/Discount] [Floating Rate: CMS Linked Interest] [Variable Interest] [Convertible Interest Basis] [In respect of the period from (and including) [the Interest Commencement Date]/[ ] to (but excluding) [ ], [[ ] per cent. per annum Fixed Rate]/[[ ] month [ ]LIBOR/EURIBOR/HIBOR/SIBOR] +/- [ ] per cent. Floating Rate]/[[ ] per cent. minus [ ] month [ ]LIBOR/EURIBOR/HIBOR/SIBOR] Inverse Floating Rate]/[[ ] x [ ] month [ ]LIBOR/EURIBOR/HIBOR/SIBOR] Leveraged Floating Rate]/[[ ] per cent. minus ([ ] x [[ ] month [ ]LIBOR/EURIBOR/HIBOR/SIBOR]) Leveraged Inverse Floating Rate]/[Floating Rate: CMS Linked Interest]] (See paragraph[s] [11/14/15/16/17/18] below)
10.	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
11.	Change of Interest Basis:	[Applicable (See paragraphs 9 above and [14/15/17/18] below)/[Not Applicable]]
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(See paragraph[s] [19/20] below)] [Not Applicable]
13.	Date of [Board] approval for issuance of Notes and Guarantee obtained:	[[ ] [and [ ], respectively]]/[Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions	[Applicable/Not Applicable] [Applicable in respect of the period from [the Interest Commencement Date]/[ ] to [ ]]
	(i) Rate(s) of Interest:	[[ ] per cent. per annum payable [annually/semi-annually/quarterly/[ ]] in arrear on each Interest Payment Date] [In respect of the period from (and including) [the Interest Commencement Date]/[ ] to (but excluding) [ ], [ ] per cent. per annum Fixed Rate]
	(ii) Interest Payment Date(s):	[ ] in each year [commencing on [ ] and ending on the Maturity Date[, subject to adjustment in accordance with the Business Day Convention specified in paragraph 14(iii) below]] [There will be a [short/long] first interest period from, and including, the Interest Commencement Date to, but excluding, [ ] (the "Stub Period")] [There will be a [short/long] final interest period from, and including, [ ] to, but excluding, the Maturity Date (the "Stub Period").]
	(iii) Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iv) Business Day(s):	[ ]
	Additional Business Centre(s):	[ ]
	(v) Fixed Coupon Amount(s) in respect of definitive Fixed Rate Notes:	[[ ] per Calculation Amount] [In respect of the period from (and including) [the Interest Commencement Date]/[ ] to (but excluding) [ ], [ ] per Calculation Amount]
	(vi) Broken Amount(s) in respect of definitive Fixed Rate Notes:	[In respect of the Stub Period, [ ] per Calculation Amount, payable on the Interest Payment Date falling on [ ]]/[Not Applicable]
	(vii) Day Count Fraction:	[30/360 Actual/Actual (ICMA) RBA Bond Basis] [adjusted/unadjusted]
	(viii) Determination Date(s):	[[ ] in each year]/[Not Applicable]
15.	Floating Rate Note Provisions	[Applicable/Not Applicable] [Applicable in respect of the period from [the Interest Commencement Date]/[ ] to [ ]]
	(i) Straight Floating Rate:	[Applicable/Not Applicable]
	(ii) Inverse Floating Rate:	[Applicable/Not Applicable] Set IFRN Rate: [ ] per cent.
	(iii) Leveraged Floating Rate:	[Applicable/Not Applicable] Leverage Factor: [ ]
	(iv) Leveraged Inverse Floating Rate:	[Applicable/Not Applicable] Leverage Factor: [ ] Set IFRN Rate: [ ] per cent.
	(v) Interest Period(s)/ Interest Payment Dates:	[ ] [There will be a [short/long] first interest period from, and including, the Interest Commencement Date to, but excluding, [ ] (the "Stub Period")] [There will be a [short/long] last interest period from, and including, [ ] to, but excluding, the Maturity Date (the "Stub Period")]

(vi) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Floating Rate Convention]

(vii) Business Day(s): [ ]

Additional Business Centre(s): [ ]

(viii) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]

(ix) Screen Rate Determination:

(A) Reference Rate: [[[ ] month [ ]LIBOR/EURIBOR/HIBOR/SIBOR]/ CMS Reference Rate]

(B) Interest Determination Date(s): [ ]

(C) Relevant Screen Page: [ ]

(D) Interpolation for Stub Period: [Applicable for the Stub Period]/[Not Applicable]

- Reference Rate 1: [[ ] month [ ]LIBOR/EURIBOR/HIBOR/SIBOR]/[Not Applicable]
- Relevant Screen Page 1: [ ]/[Not Applicable]
- Reference Rate 2: [[ ] month [ ]LIBOR/EURIBOR/HIBOR/SIBOR]/[Not Applicable]
- Relevant Screen Page 2: [ ]/[Not Applicable]

(E) Reference Currency: [[ ]/Not Applicable]

(F) Relevant Centre: [[ ]/Not Applicable]

(G) Designated Maturity: [[ ]/Not Applicable]

(H) Determination Time: [[ ] [a.m./p.m.] ([ ] time)]/[Not Applicable]

(I) CMS Rate Fixing Centre(s): [ ]

(x) ISDA Determination:

(A) Floating Rate Option: [ ]

(B) Designated Maturity: [ ]

(C) Reset Date: [ ] [, subject to adjustment in accordance with the Reset Date Business Day Convention referred to in (E) below]

(D) Interpolation for Stub Period: [Applicable for the Stub Period]/[Not Applicable]

- Floating Rate Option 1: [ ]
- Designated Maturity 1: [ ]
- Reset Date 1: [ ] [, subject to adjustment in accordance with the Reset Date Business Day Convention referred to in (E) below]
- Floating Rate Option 2: [ ]
- Designated Maturity 2: [ ]
- Reset Date 2: [ ] [, subject to adjustment in accordance with the Reset Date Business Day Convention referred to in (E) below]

(E) Reset Date Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Floating Rate Convention]

(xi) Margin(s): [[plus/minus] [ ] per cent. per annum]
[In respect of the period from (and including) [the Interest Commencement Date]/[ ] to (but excluding) [ ], [plus/minus][ ] per cent. per annum]

	(xii) Minimum Rate of Interest:	[ ] per cent. per annum
	(xiii) Maximum Rate of Interest:	[ ] per cent. per annum
	(xiv) Day Count Fraction:	[Actual/Actual (ISDA) Actual/Actual (ICMA) Actual/365 (Fixed) Actual/360 [30/360][360/360][Bond Basis] 30E/360 30E/360 (ISDA)] [adjusted/unadjusted]
	(xv) Determination Date(s):	[[ ] in each year]/[Not Applicable]
16.	Zero Coupon/Discount Note Provisions	[Applicable/Not Applicable]
	(i) Stated Yield:	[ ] per cent. per annum
	(ii) Issue Price:	[ ]
	(iii) Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iv) Business Day(s):	[ ]
	Additional Business Centre(s):	[ ]
	(v) Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Actual/Actual (ICMA) 30/360 Actual/360 Actual/365 (Fixed)] [adjusted/unadjusted]
17.	Variable Interest Note Provisions	[Applicable/Not Applicable]
	(i) Accrual Interest Rate(s):	[[ ] per cent. Fixed Rate]
		[[[ ]LIBOR/EURIBOR/HIBOR/SIBOR] +/- [ ] per cent. Floating Rate]
		[Floating Rate: CMS Linked Interest]
		[In respect of the period from (and including) [the Interest Commencement Date]/[ ] to (but excluding) [ ], [ ]]
	(A) Screen Rate Determination:	[Applicable/Not Applicable]
	– Reference Rate:	[[[ ] month [ ]LIBOR/EURIBOR/HIBOR/SIBOR]/Not Applicable]
	– Interest Determination Date(s):	[[ ]/Not Applicable]
	– Relevant Screen Page:	[[ ]/Not Applicable]
	(B) ISDA Determination:	[Applicable/Not Applicable]
	– Floating Rate Option:	[ ]
	– Designated Maturity:	[ ]
	– Reset Date:	[ ] [, subject to adjustment in accordance with the Reset Date Business Day Convention referred to below]
	– Reset Date Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Floating Rate Convention]
	(C) Margin:	[ ]/[Not Applicable]
	(D) Minimum Rate of Interest:	[[ ] per cent. per annum/Not Applicable]
	(E) Maximum Rate of Interest:	[[ ] per cent. per annum/Not Applicable]
	(ii) Interest Period(s)/ Interest Payment Dates:	[ ]

(iii)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Floating Rate Convention]
(iv)	Business Day:	[ ]
	Additional Business Centre(s):	[ ]
(v)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/Actual (ICMA) Actual/365 (Fixed) 30/360 30E/360 30E/360 (ISDA)] [adjusted/unadjusted]
(vi)	Determination Date(s):	[[ ] in each year]/[Not Applicable]
(vii)	Underlying Reference Rate:	[[ ] month [ ]LIBOR/EURIBOR/HIBOR/SIBOR] [CMS Reference Rate] – Relevant Screen Page: [ ] – Reference Currency: [[ ]/Not Applicable] – Relevant Centre: [[ ]/Not Applicable] – Designated Maturity: [[ ]/Not Applicable] – Determination Time: [[ ]/Not Applicable]
(viii)	Lower Barrier(s):	[ ] [In respect of the period from (and including) [the Interest Commencement Date]/[ ] to (but excluding) [ ], [ ]]
(ix)	Upper Barrier(s):	[ ] [In respect of the period from (and including) [the Interest Commencement Date]/[ ] to (but excluding) [ ], [ ]]
(x)	Rate Cut-off Date:	[The [ ] [Fixing Business Day]/[calendar day] prior to the Interest Payment Date falling at the end of the relevant Interest Period]
(xi)	Additional Fixing Business Centre:	[[ ]/Not Applicable]
18.	Convertible Interest Basis Provisions:	[Applicable/Not Applicable]
(i)	First Interest Basis:	[[Fixed Rate/Floating Rate/Variable Interest] in accordance with paragraph [14/15/17] above and Condition 4(c)]
(ii)	Second Interest Basis:	[[Fixed Rate/Floating Rate/Variable Interest] [in accordance with paragraph [14/15/17] above and Condition 4(c)]
(iii)	Interest Basis Conversion Date:	[ ] [subject to adjustment in accordance with the Business Day Convention][subject to no adjustment]

PROVISIONS RELATING TO REDEMPTION

19.	Issuer Call	[Applicable/Not Applicable]
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amount(s):	[[[ ] per cent. of [t]/[T]he outstanding aggregate nominal amount of Notes in [ ]] (if Notes are represented by a Global Note), [ ] per cent. of the Calculation Amount/[ ] per Calculation Amount (if Notes are in definitive form)]
(iii)	If redeemable in part:	[Applicable/Not Applicable]
	(1) Minimum Redemption Amount:	[[ ] (if Notes are represented by a Global Note), [ ] per Calculation Amount (if Notes are in definitive form)]

	(2) Maximum Redemption Amount:	[[ ] (if Notes are represented by a Global Note), [ ] per Calculation Amount (if Notes are in definitive form)]
	(3) Minimum period:	[ ] days
	(iv) Notice periods:	Minimum period: [ ] [calendar days]/[Business Days] Maximum period: [ ] [calendar days]/[Business Days]
20.	Investor Put	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[ ]
	(ii) Optional Redemption Amount(s):	[[[ ] per cent. of [t]/[T]he outstanding aggregate nominal amount of Notes in [ ]] (if Notes are represented by a Global Note), [ ] per cent. of the Calculation Amount/[ ] per Calculation Amount (if Notes are in definitive form)
	(iii) Notice periods:	Minimum period: [ ] [calendar days]/[Business Days] Maximum period: [ ] [calendar days]/[Business Days]
21.	Final Redemption Amount:	[[[ ] per cent. of [t]/[T]he outstanding aggregate nominal amount of Notes in [ ]] (if Notes are represented by a Global Note), [ ] per cent. of the Calculation Amount/[ ] per Calculation Amount (if Notes are in definitive form)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22.	Form of Notes:	[Bearer Notes: Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event at the expense of the Issuer]]. [Temporary Bearer Global Note exchangeable for definitive Bearer Notes on and after the Exchange Date.] [Permanent Bearer Global Note exchangeable for definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event at the expense of the Issuer]]. [Registered Notes: Regulation S Global Note ([ ] of the Nominal Amount registered in the name of a nominee for [a common despositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg])/Rule 144A Global Note ([ ] of the Nominal Amount) registered in the name of a nominee for DTC]
23.	New Global Note:	[Yes/No]
24.	Calculation Agent:	[ ]/[Not Applicable]
25.	Determination Agent:	[ ]/[Not Applicable]
26.	U.S. Selling Restrictions:	[Reg. S. Compliance Category 2; TEFRA D/TEFRA C/TEFRA/Not Applicable]

Signed on behalf of the Issuer and the Guarantor:

By: .....

Duly authorised for and on behalf of the Issuer

By: .....

Duly authorised for and on behalf of the Guarantor

PART B – OTHER INFORMATION

1. LISTING

(i)	Listing and Admission to trading:	Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market and listing on the Official List of the UK Listing Authority with effect from [on or about [the Issue Date]].
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	[The Notes [are expected to] have the following ratings: [S & P: [ ]] [Moody's: [ ]] [[Fitch]: [ ]]] [Not Applicable]

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

[Save for any fees payable to [ ] (the ["Dealer[s]"]/["Manager[s]"]), no person involved in the issue of the Notes has an interest material to the offer. The [Manager[s]/Dealer[s]] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business.]

4. YIELD (*Fixed Rate Notes only*)

Indication of yield:	[ ]

5. OPERATIONAL INFORMATION

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	CUSIP Code:	[ ]
(iv)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[[ ]/Not Applicable]
(v)	Delivery:	Delivery [against/free of] payment
(vi)	Names and addresses of additional Paying Agent(s) (if any):	[ ]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to ''Applicable Final Terms'' for a description of the content of the applicable Final Terms which will specify which of such terms are to apply in relation to the relevant Notes. References in these Terms and Conditions to ''Final Terms'' mean a tranche of Notes issued pursuant to this Prospectus.

This Note is one of a Series (as defined below) of Notes issued by Abbey National Treasury Services plc (which may act through a Designated Branch) (the ''Issuer'') constituted by a Trust Deed dated 12 November, 1999 (the ''Principal Trust Deed'') as modified and restated by a First Supplemental Trust Deed dated 8 November, 2000 (the ''First Supplemental Trust Deed''), as further modified by a Second Supplemental Trust Deed dated 28 March, 2001, as further modified and restated by a Third Supplemental Trust Deed dated 2 November, 2001, as further modified by a Fourth Supplemental Trust Deed dated 5 December, 2002, as further modified by a Fifth Supplemental Trust Deed dated 19 March, 2003, as further modified by a Sixth Supplemental Trust Deed dated 29 March, 2004, as further modified and restated by a Seventh Supplemental Trust Deed dated 11 April, 2005, as further modified and restated by an Eighth Supplemental Trust Deed dated 5 August, 2005, as further modified and restated by a Ninth Supplemental Trust Deed dated 22 June, 2006, as further modified and restated by a Tenth Supplemental Trust Deed dated 18 May, 2007, as further modified and restated by an Eleventh Supplemental Trust Deed dated 26 March, 2008, as further modified and restated by a Twelfth Supplemental Trust Deed dated 14 April, 2009, as further modified and restated by a Thirteenth Supplemental Trust Deed dated 5 May, 2010, as further modified and restated by a Fourteenth Supplemental Trust Deed dated 20 April, 2011, as further modified and restated by a Fifteenth Supplemental Trust Deed dated 18 April, 2012 and as further modified and restated by a Sixteenth Supplemental Trust Deed dated 2 May, 2013 (the Principal Trust Deed as modified and/or restated by such Supplemental Trust Deeds and as further modified and/or restated from time to time, the ''Trust Deed'') and made between *inter alios* Abbey National Treasury Services plc and Santander UK plc (in its capacity as guarantor, the ''Guarantor'') and The Law Debenture Trust Corporation p.l.c. (the ''Trustee'', which expression shall include any successor as trustee) as trustee for the holders of the Notes (the ''Noteholders'' or ''holders'', which expressions shall mean, in relation to Notes in definitive bearer form, the bearers thereof and, in relation to Notes in definitive registered (or inscribed) form, the persons in whose names such Notes are registered and shall, in relation to Notes represented by a Global Note, be construed as provided below).

References in these Terms and Conditions to the ''Issuer'' shall include any Designated Branch of Abbey National Treasury Services plc that is specified in the applicable Final Terms.

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

1. any global note (a ''Global Note'') and in relation to any Notes represented by a Global Note, units of the lowest Specified Denomination in the Specified Currency;
2. any definitive Notes in bearer form; and
3. any definitive Notes in registered (or inscribed) form.

The Notes and the Coupons (as defined below) also have the benefit of an Agency Agreement dated 2 May, 2013 which further amends and restates the agency agreements dated 12 November, 1999, 8 November, 2000, 2 November, 2001, 5 December, 2002, 19 March, 2003, 29 March, 2004, 11 April, 2005, 5 August, 2005, 22 June, 2006, 14 April, 2009 and 5 May, 2010 (the ''Agency Agreement'') whereby the Issuer and the Guarantor appoint Citibank, N.A. as issuing and principal paying agent, agent bank, exchange agent (the ''Exchange Agent'', which expression shall include any successor exchange agent) and as a transfer agent, (the ''Principal Paying Agent'', which expression shall include any successor paying agent, agent bank, exchange agent and transfer agent), Citigroup Global Markets Deutschland AG as registrar (the ''Registrar'', which expression shall include any successor registrar), the other paying agents named therein (together with the Principal Paying Agent, the ''Paying Agents'', which expression shall include any additional or successor paying agents), the

other transfer agents named therein (together with the Principal Paying Agent in its capacity as a transfer agent, the "Transfer Agents", which expression shall include any additional or successor transfer agents) and the Trustee.

References to the "Calculation Agency Agreement" and "Determination Agency Agreement" are to the calculation agency agreement or determination agency agreement (as the case may be) which may be entered into between the Issuer, the Guarantor, the calculation agent or, as the case may be, the determination agent to be appointed thereby (the "Calculation Agent" and the "Determination Agent", respectively) and the Trustee, the form of which is contained in Schedule 1 to the Agency Agreement.

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

The applicable Final Terms for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and completes these Terms and Conditions.

Any reference in these Terms and Conditions to "Couponholders" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "Tranche" means Notes which are identical in all respects (including as to listing) and "Series" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee and at the specified office of each of the Principal Paying Agent, the Registrar, the other Paying Agents and the Transfer Agents (such agents and the Registrar being together referred to as the "Agents"). If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange plc the applicable Final Terms will be published on the website of the London Stock Exchange plc through a regulatory information service. The applicable Final Terms will be obtainable during normal business hours at the specified office of the Principal Paying Agent, and from the registered office of the Guarantor by a Noteholder upon such Noteholder producing evidence satisfactory to the Trustee, the Principal Paying Agent or, as the case may be, the Guarantor as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of the Trust Deed, the Deed Poll (if applicable), the Agency Agreement, the applicable Final Terms and any other documents specified in the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

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

1. Form, Denomination and Title

The Notes are in bearer form ("Bearer Notes") or in registered (or inscribed) form ("Registered Notes") as specified in the applicable Final Terms in the currency (the "Specified Currency") and the denomination(s) (the "Specified Denomination(s)") specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note (which term shall include a CMS Linked Interest Note if this Note is specified as such in the applicable Final Terms), a Zero Coupon/

Discount Note, a Variable Interest Note, a Convertible Interest Basis Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

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

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor, the Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes are represented by a Bearer Global Note or a Regulation S Global Note held by or on behalf of or, as the case may be, registered in the name of a common nominee for, Euroclear Bank S.A./N.V. (''Euroclear'') and/or Clearstream Banking, société anonyme (''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 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 such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or, as the case may be, the registered holder of the relevant Regulation S Global Note shall be treated by the 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 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 are represented by a Rule 144A Global Note registered in the name of The Depository Trust Company of New York (''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 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 DTC or, in the case of payments only, its nominee shall be treated by the 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 Registered Global Note, and the expressions ''Noteholder'' and ''holder of Notes'' and related expressions shall be construed accordingly.

Interests in a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or any additional or alternative clearing system specified in the applicable Final Terms or otherwise approved by the Issuer, the Guarantor, the Principal Paying Agent, the Registrar and the Trustee.

2. Transfers of Registered Notes

(a) Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Registered Notes in definitive form or for a beneficial interest in another Registered Global Note only in the Specified Denominations set out in the applicable Final Terms and only in accordance with the rules and

operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Rule 144A Global Note shall be limited to transfers of such Rule 144A Global Note, in whole but not in part, to a nominee of DTC or to a successor of DTC or such successor's nominee.

(b) Transfers of Registered Notes in definitive form

Subject as provided in Condition 2(*f*), (*g*) and (*h*) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part in the Specified Denominations set out in the applicable Final Terms. In order to effect any such transfer:

(i) the holder or holders must:

(a) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing, and

(b) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent, and

(ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Registered Note in definitive form for the same aggregate nominal amount as the Registered Note (or the relevant part of the Registered Note) transferred. In the case of a transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to such address as the transferor may request.

(e) Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 6, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(f) Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by normal uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(g) Transfers of interests in Regulation S Global Notes

Prior to expiry of the applicable Distribution Compliance Period (as defined below), transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

(i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate with the consent of the Issuer (a ''Transfer Certificate''), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of paragraph (i) above, such transferee may take delivery through a Restricted Note in global or definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(h) Transfers of interests in Restricted Notes

Transfers of Restricted Notes or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or

(ii) to a transferee who takes delivery of such interest through a Restricted Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Restricted Notes, or upon specific request for removal of any United States securities law legend enfaced on Restricted Notes, the Registrar shall deliver only Restricted Notes or refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither such legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(i) Exchanges and transfers of Registered Notes generally

Holders of Registered Notes in definitive form may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(j) Definitions

In this Condition, the following expressions shall have the following meanings:

"Distribution Compliance Period" means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

"QIB" means a "qualified institutional buyer" within the meaning of Rule 144A;

"Regulation S" means Regulation S under the Securities Act;

"Regulation S Global Note" means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

"Restricted Note" means a Note represented by a Rule 144A Global Note or a Note issued in registered form in exchange or substitution therefor;

"Rule 144A" means Rule 144A under the Securities Act;

"Rule 144A Global Note" means a Registered Global Note representing Notes sold in the United States to QIBs pursuant to Rule 144A;

"Securities Act" means the United States Securities Act of 1933, as amended; and

"U.S. person" has the meaning ascribed to it in Regulation S.

3. Status of the Notes and the Guarantee

(a) Status of the Notes

The Notes and the relative Coupons (if any) are direct, unconditional and unsecured obligations of the Issuer ranking *pari passu* and without any preference among themselves and (subject to any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.

(b) Status of the Guarantee

The payment of the principal and interest (if any) in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed. The obligations of the Guarantor under such guarantee constitute direct, unconditional and unsecured obligations of the Guarantor ranking *pari passu* and without any preference among themselves and (subject to any applicable statutory provisions) at least equally with all other present and future outstanding unsecured and unsubordinated obligations of the Guarantor, but, in the event of insolvency, only to the extent permitted by laws relating to creditors' rights.

4. Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date (which unless otherwise specified in the applicable Final Terms shall be the Issue Date) at the rate(s) per annum equal to the Rate(s) of Interest (in each case for the period(s) specified in the applicable Final Terms) payable in arrear on the Interest Payment Date(s) specified in the applicable Final Terms.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Interest Period ending on such date will amount to the Fixed Coupon Amount. In the case of any long or short interest period (the "Stub Period"), payments of interest on the relevant Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified in respect of such Stub Period.

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

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

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

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

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

As used in the Conditions, "Interest Period" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, or such other period specified as the "Interest Period" in the applicable Final Terms.

(b) Interest on Floating Rate Notes and Variable Interest Notes

(i) Interest Payment Dates

Each Floating Rate Note and Variable Interest Note bears interest from (and including) the Interest Commencement Date (which unless otherwise specified in the applicable Final Terms shall be the Issue Date) and such interest will be payable in arrear on either:

(A) the Interest Payment Date(s) in each year specified in the applicable Final Terms; or

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

Such interest will be payable in respect of each Interest Period. In the Conditions, "Interest Period" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, or such other period specified as the "Interest Period" in the applicable Final Terms.

(ii) Rate of Interest

The Rate of Interest payable from time to time will be determined (i) in respect of Floating Rate Notes, in the manner specified in the applicable Final Terms and (ii) in respect of Variable Interest Notes, in the manner described in sub-paragraph (C).

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be (1) if Straight Floating Rate is specified as being applicable in the applicable Final Terms, the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any), (2) if Inverse Floating Rate is specified as being applicable in the applicable Final Terms, the Set IFRN Rate specified in the applicable Final Terms minus the relevant ISDA Rate, (3) if Leveraged Floating Rate is specified as being applicable in the applicable Final Terms, the product of the Leverage Factor specified in the applicable Final Terms and the relevant ISDA Rate, plus or minus (as indicated in the applicable Final Terms) the Margin (if any), or (4) if Leveraged Inverse Floating Rate is specified as being applicable in the applicable Final Terms, the difference between (i) the Set IFRN Rate specified in the applicable Final Terms and (ii) the product of the Leverage Factor specified in the applicable Final Terms and the relevant ISDA Rate.

For the purposes of this sub-paragraph (A):

"ISDA Rate" for an Interest Period (other than a Stub Period) means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes, (the "ISDA Definitions") and under which:

(1) the Floating Rate Option is as specified in the applicable Final Terms;

(2) the Designated Maturity is a period specified in the applicable Final Terms; and

(3) unless otherwise stated in the applicable Final Terms, the relevant Reset Date is the first day of that Interest Period and, if so specified in the applicable Final Terms, the relevant Reset Date shall be subject to adjustment in accordance with the Reset Date Business Day Convention specified in the applicable Final Terms.

"ISDA Rate" for a Stub Period means a rate calculated by the Principal Paying Agent or (if specified in the applicable Final Terms) the Calculation Agent or Determination Agent, as applicable, by means of linear interpolation of the relevant ISDA Rate 1 and the relevant ISDA Rate 2 in accordance with market convention.

"ISDA Rate 1" and "ISDA Rate 2" shall be determined for a Stub Period pursuant to this Condition 4(A) on the same basis as the determination of the "ISDA Rate" for an Interest Period that is not a Stub Period save that references in this Condition 4(A) to the Floating Rate Option, the Designated Maturity and the Reset Date shall be (i) in the case of the ISDA Rate 1, to the Floating

Rate Option 1, the Designated Maturity 1 and the Reset Date 1, respectively, and (ii) in the case of the ISDA Rate 2, the Floating Rate Option 2, the Designated Maturity 2 and the Reset Date 2, respectively, in each case as specified in the applicable Final Terms.

"Stub Period" shall have the meaning specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions, and "Margin", "Set IFRN" and "Leverage Factor" have the meanings given to those terms in the applicable Final Terms.

(B) Screen Rate Determination for Floating Rate Notes

(I) Floating Rate Notes other than CMS Linked Interest Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be (1) if Straight Floating Rate is specified as being applicable in the applicable Final Terms, the relevant Screen Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any), (2) if Inverse Floating Rate is specified as being applicable in the applicable Final Terms, the Set IFRN Rate specified in the applicable Final Terms minus the relevant Screen Rate, (3) if Leveraged Floating Rate is specified as being applicable in the applicable Final Terms, the product of the Leverage Factor specified in the applicable Final Terms and the relevant Screen Rate, plus or minus (as indicated in the applicable Final Terms) the Margin (if any), or (4) if Leveraged Inverse Floating Rate is specified as being applicable in the applicable Final Terms, the difference between (i) the Set IFRN Rate specified in the applicable Final Terms and (ii) the product of the Leverage Factor specified in the applicable Final Terms and the relevant Screen Rate, in each case as determined by the Principal Paying Agent.

"Screen Rate" for an Interest Period (other than a Stub Period) means, subject as provided below, either:

(1) the offered quotation; or

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question, all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

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

"Screen Rate" for a Stub Period means a rate calculated by the Principal Paying Agent or (if specified in the applicable Final Terms) the Calculation Agent or Determination Agent, as applicable, by means of linear interpolation of the relevant Screen Rate 1 and the relevant Screen Rate 2 in accordance with market convention.

"Screen Rate 1" and "Screen Rate 2" shall be determined for a Stub Period pursuant to this Condition 4(B)(I) on the same basis as the determination of the "Screen Rate" for an Interest Period that is not a Stub Period save that references in this Condition 4(B)(I) to the Reference Rate and the Relevant Screen Page shall be (i) in the case of the Screen Rate 1, to the Reference Rate 1 and the Relevant Screen Page 1, respectively, and (ii) in the case of the Screen Rate 2, to the Reference Rate 2, and the Relevant Screen Page 2, respectively, in each case as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (B)(I):

"Interest Determination Date" shall have the meaning specified in the applicable Final Terms provided that, if any day specified as an Interest Determination Date in the applicable Final Terms is

not a Reference Rate Business Day, the relevant Interest Determination Date shall be the immediately preceding Reference Rate Business Day;

"Leverage Factor" shall have the meaning specified in the applicable Final Terms;

"Margin" shall have the meaning specified in the applicable Final Terms;

"Reference Rate" shall mean (i) the London interbank offered rate ("LIBOR"), (ii) the Euro-zone interbank offered rate ("EURIBOR"), (iii) the Hong Kong interbank offered rate ("HIBOR") or (iv) the Singapore interbank offered rate ("SIBOR"), in each case for the relevant currency and/or period, all as specified in the applicable Final Terms;

"Reference Rate Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the Relevant Financial Centre;

"Relevant Financial Centre" shall mean (i) London, where the Reference Rate is LIBOR, (ii) Brussels, where the Reference Rate is EURIBOR, (iii) Hong Kong, where the Reference Rate is HIBOR or (iv) Singapore, where the Reference Rate is SIBOR;

"Relevant Screen Page" shall have the meaning specified in the applicable Final Terms;

"Set IFRN Rate" shall have the meaning specified in the applicable Final Terms; and

"Stub Period" shall have the meaning specified in the applicable Final Terms.

(II) Floating Rate Notes which are CMS Linked Interest Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified as being the CMS Reference Rate, the Rate of Interest for each Interest Period will, subject as provided below, be the CMS Rate plus or minus (as indicated in the applicable Final Terms) the Margin, as determined by the Calculation Agent or Determination Agent (as applicable).

"CMS Rate" for an Interest Period means the Relevant Swap Rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity (expressed as a percentage rate per annum) which appears on the Relevant Screen Page as at (i) the Determination Time specified in the applicable Final Terms or (ii) if no Determination Time is specified in the applicable Final Terms, 11.00 a.m. (Relevant Centre time) on the Interest Determination Date in question, all as determined by the Calculation Agent or Determination Agent (as applicable).

If the Relevant Screen Page is not available, the Calculation Agent or Determination Agent (as applicable) shall request each of the Reference Banks (as defined below) to provide the Calculation Agent or Determination Agent (as applicable) with its quotation for the Relevant Swap Rate (expressed as a percentage rate per annum) at approximately (i) the Determination Time specified in the applicable Final Terms or (ii) if no Determination Time is specified in the applicable Final Terms, 11.00 a.m. (Relevant Centre time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent or Determination Agent (as applicable) such quotations, the CMS Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent or Determination Agent (as applicable) with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent or Determination Agent (as applicable) in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

For the purposes of this sub-paragraph (B)(II):

"Calculation Agent" shall have the meaning specified in the applicable Final Terms;

"CMS Rate Fixing Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in each CMS Rate Fixing Centre specified in the applicable Final Terms;

"Designated Maturity" shall have the meaning specified in the applicable Final Terms;

"Determination Agent" shall have the meaning specified in the applicable Final Terms;

"Interest Determination Date" shall have the meaning specified in the applicable Final Terms provided that, if any day specified as an Interest Determination Date in the applicable Final Terms is

not a CMS Rate Fixing Day, the relevant Interest Determination Date shall be the immediately preceding CMS Rate Fixing Day;

"Margin" shall have the meaning specified in the applicable Final Terms;

"Reference Banks" means (i) where the Reference Currency is euro, the principal office of five leading swap dealers in the Euro-zone inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five leading swap dealers in the London inter-bank market, (iii) where the Reference Currency is U.S. dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, or (iv) in the case of any other Reference Currency, the principal Relevant Centre office of five leading swap dealers in the Relevant Centre inter-bank market, in each case as selected by the Calculation Agent or Determination Agent (as applicable);

"Relevant Centre" shall have the meaning specified in the applicable Final Terms;

"Relevant Screen Page" shall have the meaning specified in the applicable Final Terms;

"Relevant Swap Rate" means:

(i) where the Reference Currency is euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Calculation Agent or Determination Agent (as applicable) by reference to standard market practice and/or the ISDA Definitions;

(ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;

(iii) where the Reference Currency is U.S. dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and

(iv) where the Reference Currency is any other currency, the mid-market swap rate as determined by the Calculation Agent or Determination Agent (as applicable) in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice;

"Representative Amount" means an amount that is representative for a single transaction in the relevant market at the relevant time; and

"Stub Period" shall have the meaning specified in the applicable Final Terms.

(C) Interest Determination for Variable Interest Notes

In the case of Variable Interest Notes, the Rate of Interest for each Interest Period will, subject as provided below, be the product of (i) the Accrual Interest Rate and (ii)(A) the number of calendar days in an Interest Period where the Underlying Rate is less than or equal to the Upper Barrier (if any) and greater than or equal to the Lower Barrier (if any) divided by (B) the total number of calendar days in such corresponding Interest Period, all as determined by the Calculation Agent or Determination Agent (as applicable).

If the Underlying Reference Rate is specified in the applicable Final Terms as being any of LIBOR, EURIBOR, HIBOR or SIBOR, the Calculation Agent or Determination Agent (as applicable) shall determine the Underlying Rate for a calendar day in accordance with Condition 4(b)(ii)(B)(I) on the basis that:

(a) references to ''Screen Rate'' shall be deemed to be to ''Underlying Rate'';

(b) references to ''Interest Determination Date'' shall be deemed to be to:

  (i) if the rate determination relates to a calendar day (other than a calendar day that falls in the Rate Cut-off Period) that is a Fixing Business Day, such calendar day;

  (ii) if the rate determination relates to a calendar day (other than a calendar day that falls in the Rate Cut-off Period) that is not a Fixing Business Day, the Fixing Business Day immediately preceding such calendar day; and

  (iii) if the rate determination relates to a calendar day that falls in the Rate Cut-off Period, the Rate Cut-Off Date, unless the Rate Cut-Off Date is not a Fixing Business Day, in which case the Fixing Business Day immediately preceding the Rate Cut-Off Date;

(b) references to ''Reference Rate'' shall be deemed to be to the ''Underlying Reference Rate'' specified in the applicable Final Terms; and

(c) the Calculation Agent or Determination Agent (as applicable) will be the party making all determinations and, notwithstanding the final paragraph of Condition 4(b)(ii)(B)(I), if the Calculation Agent or Determination Agent (as applicable) is unable to determine the Screen Rate in accordance with Condition 4(b)(ii)(B)(I), the Screen Rate will be determined by the Calculation Agent or Determination Agent (as applicable) in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

If the Underlying Reference Rate is specified in the applicable Final Terms as being CMS Reference Rate, the Calculation Agent or Determination Agent (as applicable) shall determine the Underlying Rate for a calendar day in accordance with Condition 4(b)(ii)(B)(II) on the basis that:

(a) references to ''CMS Rate'' shall be deemed to be to ''Underlying Rate''; and

(b) references to ''Interest Determination Date'' shall be deemed to be to:

  (i) if the rate determination relates to a calendar day that is a Fixing Business Day, such calendar day;

  (ii) if the rate determination relates to a calendar day (other than a calendar day that falls in the Rate Cut-off Period) that is not a Fixing Business Day, the Fixing Business Day immediately preceding such calendar day; and

  (iii) if the rate determination relates to a calendar day (other than a calendar day that falls in the Rate Cut-off Period) that falls in the Rate Cut-off Period, the Fixing Business Day immediately preceding the Rate Cut-off Period.

The applicable Final Terms will specify if the Accrual Interest Rate is a ''Fixed Rate'' or a ''Floating Rate''.

If the Accrual Interest Rate is specified in the applicable Final Terms to be a ''Floating Rate'' and ''Screen Rate Determination'' is specified in the applicable Final Terms as being applicable, the Accrual Interest Rate for each Interest Period shall be determined by the Calculation Agent or Determination Agent (as applicable) in accordance with Condition 4(b)(ii)(B)(I) and on the basis that:

(a) references to ''Rate of Interest'' shall be deemed to be to ''Accrual Interest Rate'';

(b) ''Straight Floating Rate'' shall be deemed to be specified as being applicable; and

(c) the Calculation Agent or Determination Agent (as applicable) will be the party making all determinations and, notwithstanding the final paragraph of Condition 4(b)(ii)(B)(I), if the Calculation Agent or Determination Agent (as applicable) is unable to determine the Screen Rate in accordance with Condition 4(b)(ii)(B)(I), the Screen Rate will be determined by the Calculation Agent or Determination Agent (as applicable) in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

If the Accrual Interest Rate is specified in the applicable Final Terms to be a "Floating Rate" and "ISDA Determination" is specified in the applicable Final Terms as being applicable, the Accrual Interest Rate for each Interest Period shall be determined by the Calculation Agent or Determination Agent (as applicable) in accordance with Condition 4(b)(ii)(A) and on the basis that:

(a) references to "Rate of Interest" shall be deemed to be to "Accrual Interest Rate";

(b) "Straight Floating Rate" shall be deemed to be specified as being applicable; and

(c) the Calculation Agent or Determination Agent (as applicable) will be the party making all determinations.

For the purposes of this sub-paragraph (C):

"Calculation Agent" shall have the meaning specified in the applicable Final Terms;

"Determination Agent" shall have the meaning specified in the applicable Final Terms;

"Fixing Business Day" means a day which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and, where applicable, any Additional Fixing Business Centre specified in the applicable Final Terms and which is:

(i) if the Underlying Reference Rate is specified in the applicable Final Terms as being CMS Reference Rate, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the Reference Currency; or

(ii) if the Underlying Reference Rate is specified in the applicable Final Terms as being euro-LIBOR or EURIBOR, a TARGET2 Settlement Day; or

(iii) if the Underlying Reference Rate is specified in the applicable Final Terms as being any other Reference Rate, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the currency to which such Reference Rate relates.

"Lower Barrier" shall have the meaning specified in the applicable Final Terms;

"Upper Barrier" shall have the meaning specified in the applicable Final Terms;

"Rate Cut-off Date" means, for each Interest Period, the date specified in the applicable Final Terms;

"Rate Cut-Off Period" means, for each Interest Period, the period from (and including) the Rate Cut-off Date to (but excluding) the Interest Payment Date falling at the end of such Interest Period; and

"Underlying Reference Rate" shall have the meaning specified in the applicable Final Terms.

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

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

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

(iv) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent or, where specified in these Conditions or the applicable Final Terms, the Calculation Agent or the Determination Agent (as applicable) will at, or as soon as practicable after, each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Variable Interest Notes or CMS Linked Interest Notes, the Calculation Agent or Determination Agent (as applicable) will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent or Calculation Agent or Determination Agent (as applicable) will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes and Variable Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Variable Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

(B) in the case of Floating Rate Notes or Variable Interest Notes in definitive form, the Calculation Amount;

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

(v) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent (or, in the case of CMS Linked Interest Notes and Variable Interest Notes, the relevant Calculation Agent or Determination Agent) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and, if required by applicable law or regulation, any stock exchange or other relevant authority on which the relevant Floating Rate Notes or Variable Interest Notes are for the time being listed or by which they have been admitted to listing and, if applicable, notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will, if required by applicable law or regulation, be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or Variable Interest Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression "London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vi) Determination or Calculation by Trustee

If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent or the Determination Agent (as applicable) defaults in its obligation to determine the Rate of Interest or the Calculation Agent or the Determination Agent (as applicable) defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (ii) above and in accordance with paragraph (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 4, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances. In making any such determination or calculation, the Trustee may appoint and rely on a determination or calculation by a calculation agent or a determination agent (which shall be an investment bank or other suitable entity of international repute). Each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or, the Calculation Agent or the Determination Agent, as applicable.

(vii) Certificates to be final

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

attach to the Principal Paying Agent or (as applicable) the Calculation Agent or the Determination Agent or the Trustee in connection with the exercise or non-exercise by it of any of its powers, duties and discretions pursuant to such provisions.

(c) Convertible Interest Basis Notes

If Convertible Interest Basis is specified as being applicable in the applicable Final Terms, each Note bears interest from (and including) the Interest Commencement Date (which unless otherwise specified in the applicable Final Terms shall be the Issue Date) at the applicable Rates of Interest determined in accordance with this Condition 4(c), and such interest will be payable in arrear on the relevant Interest Payment Date (as defined below).

If Convertible Interest Basis is specified as being applicable in the applicable Final Terms, the basis upon which interest accrues (and on which the Rate of Interest shall be determined) will (unless the Notes are redeemed or purchased and cancelled prior to the Interest Basis Conversion Date) change from one interest basis (the ''First Interest Basis'') to another (the ''Second Interest Basis''). The First Interest Basis shall apply to any Interest Period in the First Interest Basis Period and the Second Interest Basis shall apply to any Interest Period in the Second Interest Basis Period.

The Rate of Interest for any Interest Period, and the amount of interest payable on each Interest Payment Date in respect of such Interest Period, shall be determined by the Principal Paying Agent or (if specified in the applicable Final Terms) the Calculation Agent or Determination Agent, as applicable, in accordance with (i) if the relevant Interest Basis is specified in the applicable Final Terms to be Fixed Rate, Condition 4(a) or (ii) if the relevant Interest Basis is specified in the applicable Final Terms to be Floating Rate or Variable Interest, Condition 4(b). If an Interest Basis for an Interest Basis Period is specified in the applicable Final Terms as being Floating Rate or Variable Interest, the notification and publication requirements of Condition 4(b)(v) shall apply in respect of each Interest Period falling within such Interest Basis Period.

For the purposes of this Condition 4(c):

''First Interest Basis Period'' means the period from (and including) the Interest Commencement Date to (but excluding) the Interest Basis Conversion Date;

''Interest Basis'' means the First Interest Basis or the Second Interest Basis, as applicable;

''Interest Basis Conversion Date'' shall have the meaning specified in the applicable Final Terms;

''Interest Basis Period'' means the First Interest Basis Period or the Second Interest Basis Period, as applicable;

''Interest Payment Date(s)'' means, in relation to each Interest Basis:

(A) the Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(B) if no express Interest Payment Date(s) is/are specified in the applicable Final Terms, each date which falls the number of months or other period specified as the Interest Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date that falls within the First Interest Basis Period, after the Interest Commencement Date; and

''Second Interest Basis Period'' means the period from (and including) the Interest Basis Conversion Date to (but excluding) the Maturity Date.

(d) Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date fixed for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in Condition 6(*h*).

(e) Business Day, Business Day Conventions, Day Count Fractions and other adjustments

In these Terms and Conditions, ''Business Day'' means a day which is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and

(ii) either

(1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London); or

(2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the ''TARGET2 System'') is operating (a ''TARGET2 Settlement Day'').

If a Business Day Convention (or, in respect of any Reset Date, a Reset Date Business Day Convention) is specified in the applicable Final Terms and if any Interest Payment Date, Maturity Date or any other date (as specified in the applicable Final Terms) would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention (or the Reset Date Business Day Convention, as applicable) specified is:

(1) the Following Business Day Convention, such Interest Payment Date, Maturity Date or any other date (as specified in the applicable Final Terms) shall be postponed to the next day which is a Business Day; or

(2) the Modified Following Business Day Convention, such Interest Payment Date, Maturity Date or any other date (as specified in the applicable Final Terms) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date, Maturity Date or any other date (as specified in the applicable Final Terms) shall be brought forward to the immediately preceding Business Day; or

(3) the Preceding Business Day Convention, such Interest Payment Date, Maturity Date or any other date (as specified in the applicable Final Terms) shall be brought forward to the immediately preceding Business Day; or

(4) in any case where Interest Periods are specified in accordance with Condition 4(*b*)(i)(B) above, the Floating Rate Convention, the Interest Payment Date:

(i) shall be postponed to the next day which is a Business Day and (A) each subsequent Interest Payment Date shall be the day that numerically corresponds with such Business Day, in the month which falls the Interest Period after the preceding applicable Interest Payment Date unless (B) such Business Day would thereby fall into the next calendar month, in which event (C) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (D) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Interest Period after the preceding applicable Interest Payment Date; or

(ii) in the case where there is no numerically corresponding day in the calendar month on which an Interest Payment Date should occur, shall be the last day that is a Business Day in the relevant month and the provisions of Condition 4(*b*)(i)(B) above of this paragraph shall apply *mutatis mutandis*.

''Day Count Fraction'' means, in respect of the calculation of an amount of interest for any Interest Period:

(1) if ''Actual/Actual (ICMA)'' is specified in the applicable Final Terms:

(a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the ''Accrual Period'') is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

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

(3) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(4) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(8) if "RBA Bond Basis" is specified in the applicable Final Terms, one divided by the number of Interest Payment Dates in each twelve-month period (or, where the calculation period does not constitute an Interest Period, one divided by the number of Interest Payment Dates in each twelve-month period multiplied by the actual number of days in the calculation period divided by the number of days in the Interest Period ending on the next Interest Payment Date).

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

"Interest Period" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If "adjusted" is specified in the applicable Final Terms in the Day Count Fraction item, interest in respect of the relevant Interest Period shall be payable in arrear on the relevant Interest Payment Date and calculated from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, as such Interest Payment Date shall, where applicable, be adjusted in accordance with the Business Day Convention.

If "unadjusted" is specified in the applicable Final Terms in the Day Count Fraction item, interest in respect of the relevant Interest Period shall be payable in arrear on the relevant Interest Payment Date, as adjusted in accordance with the Business Day Convention, but shall be calculated in respect of the period from (and including) a Period End Date (or the Interest Commencement Date) to (but excluding) the next (or first) Period End Date. For the purpose of this paragraph "Period End Date" means an Interest Payment Date prior to any modification as result of any Business Day Convention.

5. Payments

(a) Method of payment

Subject as provided below:

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

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

Payments will be subject in all cases to: (A) any fiscal or other laws and regulations applicable thereto in any jurisdiction, but without prejudice to the provisions of Condition 7; and (B) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the ''Code'') or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing a governmental approach thereto, and neither the Issuer nor the Guarantor (as the case may be) shall be required to pay any additional amounts under Condition 7 (*Taxation*) on account of any such deduction or withholding described in this limb (B).

(b) Presentation of definitive Bearer Notes and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (*a*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

Upon the date on which any Floating Rate Note, Variable Interest Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A ''Long Maturity Note'' is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

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

(c) Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Bearer Global Note, where applicable, against presentation or surrender, as the case may be, of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note either by the Paying Agent to which it was presented, and such record shall be *prima facie* evidence that the payment in question has been made, or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

No payments of principal, interest or other amounts due in respect of a Bearer Global Note will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

(d) Payments in respect of Registered Notes

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the ''Register'') (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg or any other relevant clearing system are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth calendar day before the relevant due date (in each case, the ''Record Date''). Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the nominal amount of the Notes held by a holder is less than U.S.$100,000 (or its equivalent), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, ''Designated Account'' means the account maintained by a holder with a Designated Bank and identified as such in the Register and ''Designated Bank'' means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the Record Date at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Rule 144A Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency for conversion into U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the Guarantor, the Trustee and the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) General provisions applicable to payments

For so long as the Notes of a Series are listed on the Official List and admitted to trading on the London Stock Exchange's market for listed securities and for so long as the rules of the UK Listing Authority so require, the Issuer shall procure that there is a Paying Agent approved in writing by the Trustee in the City of London for the payment of principal and interest, if any, on the Notes.

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

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

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

(f) Payment Days

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day and shall not be entitled to any further payment in respect of such delay. "Payment Day" means any day which (subject to Condition 8):

(i) in respect of Notes in definitive form only, is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation; or

(ii) in the case of any payment in respect of a Rule 144A Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Rule 144A Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City; and

(iii) is a Business Day as defined in Condition 4(e).

(g) Interpretation of principal and interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 7;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Zero Coupon/Discount Notes, the Amortised Face Amount (as defined in Condition 6(*e*)); and

(vi) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

6. Redemption and Purchase

(a) Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below or in the applicable Final Terms, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) Redemption for tax reasons

If the Issuer or the Guarantor satisfies the Trustee immediately prior to the giving of the notices referred to below that, on the occasion of the next payment due under the Notes, either:

(i) the Issuer would be required to pay additional amounts as provided under Condition 7 or to account to any taxing authority in the taxing jurisdiction of any territory in which the Issuer is incorporated or resident for taxation purposes for any amount (other than tax withheld or deducted from interest payable on the Notes) calculated by reference to any amount payable in respect of the Notes; or

(ii) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making such payment itself would be required to pay additional amounts or to account to any taxing authority in the United Kingdom for any amount as aforesaid; or

(iii) if the Issuer is not incorporated or resident for taxation purposes in the United Kingdom, the Guarantor would be required to deduct or withhold amounts for or on account of any taxes of whatever nature imposed or levied by or on behalf of the United Kingdom in making any payment of any sum to the Issuer required to enable the Issuer to make a payment in respect of the Notes or to account to any taxing authority in the United Kingdom for any amount calculated by reference to the amount of any such sum to be paid to the Issuer,

then the Issuer may having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), redeem all, but not some only, of the Notes at any time (if this Note is neither a Floating Rate Note nor a Variable Interest Note) or on the next Interest Payment Date (in the case of Floating Rate Notes or Variable Interest Notes). Upon the expiry of such notice the Issuer shall be bound to redeem the Notes accordingly.

Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount determined pursuant to Condition 6(e) below.

(c) Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Trustee, the Principal Paying Agent, the Noteholders, and in the case of a redemption of Registered Notes, the Registrar, (which notice shall be irrevocable and shall specify the date fixed for redemption) redeem all or (if so specified in the applicable Final Terms) some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount (if any). In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of DTC and/or Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal

amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than the minimum period specified in the applicable Final Terms prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (*c*) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

(d) Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms specified in the applicable Final Terms (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem in whole (but not, in the case of a Bearer Note in definitive form, in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 6(*d*) in any multiple of their lowest Specified Denomination.

If this Note is in definitive form, to exercise the right to require redemption of this Note, the holder of this Note must deliver such Note at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "Put Notice") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(*b*). Holders of Notes represented by a Global Note or in definitive form and held through DTC, Euroclear and/or Clearstream, Luxembourg must exercise the right to require redemption of their Notes by giving notice (including all information required in the applicable Put Notice) through DTC, Euroclear or Clearstream, Luxembourg, as the case may be (which notice may be in electronic form) in accordance with their standard procedures.

(e) Early Redemption Amounts

For the purpose of Condition 6(*b*) above and Condition 9, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(i) in the case of a Note other than a Zero Coupon/Discount Note and a Variable Interest Note at the outstanding nominal amount together with interest accrued to (but excluding) the date fixed for redemption; or

(ii) in the case of a Zero Coupon/Discount Note, at an amount (the "Amortised Face Amount") equal to the nominal amount of the Note multiplied by the sum of:

  (A) the Issue Price; and

  (B) the product of the Issue Price and the Stated Yield compounded annually from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and payable on the basis of the Day Count Fraction specified in the applicable Final Terms;

(iii) in the case of a Variable Interest Note, at an amount determined by the Calculation Agent or the Determination Agent (as applicable) that would on the due date for redemption have the effect of preserving for the holder of the Note the economic equivalent of the obligation of the Issuer to make the payment of the:

  (A) Final Redemption Amount on the Maturity Date; and

(B) an amount or amounts representing the interest that is due as at the date of redemption.

(f) Purchases

The Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent and/or the Registrar.

(g) Cancellation

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

(h) Late payment

If any amount payable in respect of any Note is improperly withheld or refused upon its becoming due and repayable or is paid after its due date or on or after accelerated maturity following an Event of Default (as defined in Condition 9), the amount due and repayable in respect of such Note (the "Late Payment") shall itself accrue interest (both before and after any judgment or other order of a court of competent jurisdiction) from (and including) the date on which such payment was improperly withheld or refused or, as the case may be, became due, to (but excluding) the Late Payment Date in accordance with the following provisions:

(i) in the case of a Note other than a Zero Coupon/Discount Note or a Variable Interest Note, at the rate determined in accordance with Condition 4(*a*) or 4(*b*), as the case may be;

(ii) in the case of a Zero Coupon/Discount Note, at a rate equal to the Stated Yield; and

(iii) in the case of a Variable Interest Note, at a rate calculated by the Calculation Agent so as to reasonably compensate the holder of the Note for the cost of funding the delay in receiving the Late Payment,

in each case on the basis of the Day Count Fraction specified in the applicable Final Terms or, if none is specified, on a 30/360 basis.

For the purpose of this paragraph (*h*) the "Late Payment Date" shall mean the earlier of:

(A) the date which the Trustee determines to be the date on which, upon further presentation of the relevant Note, payment of the full amount (including interest as aforesaid) in the relevant currency in respect of such Note is to be made; and

(B) the seventh day after notice is given to the relevant Noteholder(s) (whether individually or in accordance with Condition 13) that the full amount (including interest as aforesaid) in the relevant currency in respect of such Note is available for payment,

provided that in the case of both (A) and (B), upon further presentation thereof being duly made, such payment is made.

7. Taxation

All payments of principal and interest in respect of the Notes and Coupons by the Issuer or (as the case may be) the Guarantor will be made without withholding of or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the United Kingdom or the taxing jurisdiction of any territory in which the Issuer is incorporated or resident for taxation purposes, or any political subdivision of either of the same or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer or the Guarantor (as the case may be) will pay such additional amounts as may be necessary in order that the net amounts receivable by the holders after such withholding or deduction shall equal the respective amounts of principal, and interest, if applicable, which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of any requirement

to make such withholding or deduction, except that no such additional amounts shall be payable in relation to any payment with respect to any Note or Coupon:

(i) presented for payment by, or by a third party on behalf of, a holder who (a) would be able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority but fails to do so, or (b) is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the above-mentioned taxing jurisdiction of the Issuer (in the case of payments by the Issuer) or the United Kingdom (in the case of payments by the Guarantor) other than the mere holding of such Note or Coupon; or

(ii) where such Note or Coupon is presented for payment in the jurisdiction in which the Issuer or the Guarantor is incorporated or resident for tax purposes or in the United Kingdom; or

(iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing or complying with or introduced in order to conform to any European Union Directive on the taxation of savings income implementing the conclusions of the ECOFIN Council meeting of 26 to 27 November, 2000 or any agreement between the European Community and any other jurisdiction providing for equivalent measures; or

(iv) presented for payment by, or on behalf of, a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or

(v) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days, assuming that day had been a Payment Day if that day was not in fact a Payment Day.

The ''Relevant Date'' means the date on which the payment in respect of the Note or Coupon first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the ''Relevant Date'' means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Noteholders in accordance with Condition 13.

All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing a governmental approach thereto, and neither the Issuer nor the Guarantor (as the case may be) shall be required to pay any additional amounts under this Condition on account of any such deduction or withholding described in this paragraph.

8. Prescription

The Notes and, if applicable, the Coupons (which for this purpose shall not include Talons) will become void unless claims in respect of principal and/or interest are made within a period of 10 years in the case of principal and five years in the case of interest from the Relevant Date (as defined in Condition 7) relating hereto. The Issuer shall be discharged from its obligation to pay principal on a Registered Note to the extent that the relevant Registered Note certificate has not been surrendered to the Registrar by, or a cheque which has been duly despatched in the Specified Currency remains uncashed at, the end of the period of 10 years from the Relevant Date in respect of such payment. The Issuer shall be discharged from its obligation to pay interest on a Registered Note to the extent that a cheque which has been duly despatched in the Specified Currency remains uncashed at the end of the period of five years from the Relevant Date in respect of such payment. There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(*b*) or any Talon which would be void pursuant to Condition 5(*b*).

9. Events of Default and Enforcement

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified to its satisfaction), give

notice to the Issuer that the Notes are, and they shall accordingly thereby become, immediately due and repayable each at their Early Redemption Amount (determined pursuant to Condition 6(*e*)) together with accrued interest as provided in Condition 6(*h*), in any of the following events ("Events of Default"):

(i) if default is made for a period of 14 days or more in the payment of any principal or interest due in respect of the Notes or any of them, provided that it shall not be such a default to refuse or withhold any such payment in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction. Where there is doubt as to the validity or applicability of any such law, regulation or order, it shall not be such a default to refuse or withhold any such payment in accordance with advice given at any time during the said period of 14 days by independent legal advisers acceptable to the Trustee; or

(ii) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under the Notes or the Trust Deed and (except where the Trustee considers such failure to be incapable of remedy when no such continuation or notice as is hereinafter referred to will be required) such failure continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer or the Guarantor, as the case may be, of notice requiring the same to be remedied; or

(iii) if an effective resolution is passed or an order is made for the winding up or dissolution of the Issuer or the Guarantor (except for the purposes of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders),

provided that, in the case of an Event of Default described in paragraph (ii) above, the Trustee shall have certified to the Issuer that such Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders.

10. Replacement of Notes, Coupons and Talons

Should any Note or, if applicable, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced, in the case of Bearer Notes or Coupons, at the specified office of the Principal Paying Agent or, in the case of Registered Notes, at the specified office of the Registrar (or in any case such other place of which notice shall have been given to the Noteholders in accordance with Condition 13) upon payment in any such case by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or, if applicable, Coupons or Talons must be surrendered before replacements will be issued.

11. Agents

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

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

(a) there will at all times be a Principal Paying Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Note) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

(c) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in continental Europe other than any such jurisdiction in which the Issuer or the Guarantor is incorporated or resident for tax purposes; and

(d) so long as any of the Rule 144A Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in London.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(*e*). Notice of any variation, termination, appointment or change relating to the Notes in Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

In acting under the Agency Agreement, the Agents act solely as agents or, as the case may be, registrars of the Issuer and the Guarantor and, in certain circumstances, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

The Issuer undertakes that, it will ensure that it maintains a Paying Agent with a specified office in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26 to 27 November, 2000 or any law implementing, or complying with, or introduced in order to conform to, any such Directive PROVIDED THAT under no circumstances shall the Issuer be obliged to maintain a Paying Agent with a specified office in such Member State unless at least one European Member State does not require a Paying Agent making payments through a specified office in that Member State to so withhold or deduct tax.

The Issuer also undertakes that if the European Community reaches an agreement with any jurisdiction of the nature referred to in Condition 7(iii), the Issuer will ensure that it maintains a Paying Agent with a specified office in a jurisdiction that will not be obliged to withhold or deduct tax pursuant to that agreement PROVIDED THAT there is at least one such jurisdiction.

12. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

13. Notices

All notices regarding the Bearer Notes will be deemed to be validly given if published in one leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to listing. Any such notice will be deemed to have been given on the date of the first publication. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or admitted to listing by any other relevant authority and the rules of that stock exchange or other relevant authority so require, the relevant notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange or other relevant authority. Any such notice will be deemed to have been given on the date of such publication. If the giving of notice as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, notice may be given (so long as any Global Notes representing the Notes are held in their entirety on behalf of DTC, Euroclear and/or Clearstream, Luxembourg (and so long as the rules of any stock exchange on which the Notes are listed, or the rules of any other relevant authority by which the Notes have been admitted to listing, permit)) by delivery of the relevant notice to DTC, Euroclear and/or Clearstream, Luxembourg (instead of by way of publication or mailing) for communication by them to the holders of the Notes provided that, in addition, for so long as any Notes are listed on a stock exchange or admitted to listing by any other relevant authority and the rules of that stock exchange or other relevant

authority so require, such notice will be published in a daily newspaper of general circulation in a place or places required by the rules of that stock exchange or other relevant authority. Any such notice shall be deemed to have been given to the holders of the Notes the day after the day on which the said notice was given to DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. Meetings of Noteholders, Modification, Waiver, Determination and Substitution

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of the provisions of these Terms and Conditions, the Notes, the Coupons or any of the provisions of the Trust Deed or the Deed Poll. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Issuer at the request of Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of these Terms and Conditions, the Notes, the Coupons or the Trust Deed, the quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting one or more persons holding or representing not less than one-third, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to:

(a) any modification of, or any waiver or authorisation of any breach or proposed breach of, any of the provisions of these Terms and Conditions, the Notes, the Coupons or the Trust Deed or, in the case of modification, the Agency Agreement which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders; or

(b) any modification of any of the provisions of these Terms and Conditions, the Notes, the Coupons or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of applicable law.

The Issuer and the Principal Paying Agent may agree, without the consent of the Trustee, the Noteholders or Couponholders, to any modification of any of the provisions of any applicable Final Terms which is of a formal, minor or technical nature or is made to correct a manifest error.

The Trustee may also determine, without the consent of the Noteholders or the Couponholders, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such if the Trustee is satisfied that so to do will not be materially prejudicial to the interests of the Noteholders.

Subject as provided in the Trust Deed, the Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders, may agree, without the consent of the Noteholders or Couponholders, to the substitution of (i) the Guarantor or any other person or persons incorporated in any country in the world in place of the Issuer as principal debtor under the Trust Deed, the Deed Poll (where applicable), the Notes and, if applicable, the Coupons provided that, except in the case of the substitution of the Guarantor, the obligations of such substitute as principal debtor under the Trust Deed, the Deed Poll (where applicable), the Notes and, if applicable, Coupons shall be guaranteed by the Guarantor in such form as the Trustee may require or (ii) any successor company of the Guarantor in place of the Guarantor as guarantor in respect of the Trust Deed, the Deed Poll (where applicable), the Notes and, if applicable, the Coupons. The Trustee may also agree without the consent of the Noteholders or Couponholders to the addition of another company as an issuer of Notes under the Programme and the Trust Deed. Any such addition shall be

subject to the relevant provisions of the Trust Deed and to such amendment thereof and such other conditions as the Trustee may require.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences (including any tax consequences) of such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantor or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except, in the case of the Issuer and the Guarantor, to the extent provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

Any such modification, waiver, authorisation, determination, substitution or addition as aforesaid shall be binding on the Noteholders the Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

15. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the issue price and date of issue thereof and the amount and date of the first payment of interest thereon and so as to be consolidated and form a single series with the outstanding Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other Series in certain circumstances where the Trustee so decides.

16. Enforcement

At any time after the Notes or any of them shall have become immediately due and repayable and have not been repaid, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce repayment thereof together with accrued interest, if any, and to enforce the provisions of the Trust Deed or the Deed Poll, but it shall not be bound to institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter of the nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder or Couponholder shall be entitled to proceed against the Issuer and/or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

A person who is not a Noteholder has no right by virtue of the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy which exists or is available apart from that Act.

17. Governing Law

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

USE OF PROCEEDS

The net proceeds from each issue of Notes will be used to fund the business of the Group.

DESCRIPTION OF ABBEY NATIONAL TREASURY SERVICES PLC

Background

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

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

Business Overview

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

The Issuer's business divisions consist of:

Corporate Banking

Corporate Banking offers a wide range of products and financial services to UK companies. Corporate Banking products and services include loans, bank accounts, deposits and treasury services.

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

Markets

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

Corporate Centre

Corporate Centre consists of Financial Management and Investor Relations (''FMIR'', formerly known as Asset and Liability Management) and the non-core portfolios of social housing loans and structured credit assets. FMIR is responsible for managing capital and funding, balance sheet composition, structural market risk and strategic liquidity risk for the rest of the Santander UK group. The non-core portfolios are being run-down and/or managed for value

Santander UK, as guarantor, and ANTS, as issuer, have a shelf registration statement on file with the U.S. Securities and Exchange Commission in relation to issuances of SEC-registered debt securities. Additionally, as part of its prudent contingent funding arrangements, FMIR ensures that Santander UK has access to the central bank facilities made available by the Bank of England, the Swiss National Bank and the U.S. Federal Reserve.

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

Position	*Name*
Directors	Luis de Sousa
	David Green
	Justo Gomez
	Stephen Pateman

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

None of the above has any activities outside the Group which are significant within the context of the Group.

Conflicts of Interest

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

Corporate Governance

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

Credit ratings

As at the date of this Prospectus, the long-term obligations of ANTS are rated A2 by Moody's and A by Fitch, and the short-term obligations of ANTS are rated P-1 by Moody's and F1 by Fitch.

DESCRIPTION OF SANTANDER UK PLC AND THE GROUP

Background

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

The registered office of Santander UK is at 2 Triton Square, Regent's Place, London, NW1 3AN. The telephone number of Santander UK is +44 (0) 870 607 6000.

On 12 November 2004, Banco Santander, S.A. completed the acquisition of the entire issued ordinary share capital of Santander UK plc, implemented by means of a scheme of arrangement under Section 425 of the Companies Act 1985 making Santander UK plc a wholly-owned subsidiary of Banco Santander, S.A. Banco Santander, S.A. is one of the largest banks in the world by market capitalisation. Banco Santander, S.A. was founded in 1857 and, at the close of 2011, the Banco Santander Group had more than 102 million customers and over 14,760 branches.

Corporate Purpose

Santander UK plc's purpose is to be the best bank in the United Kingdom, supporting the financial needs of individuals, families and businesses. By drawing on its mutual building society heritage and the expertise of its parent, a leading global commercial bank, Santander UK is driving a commercial transformation that will deliver even greater value to its customers and make it the bank of choice for SMEs in the UK.

Business and Support Divisions

Santander UK plc headed by Ana Botín, Chief Executive Officer operates four business divisions as follows:

- **Retail Banking**

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

- **Corporate Banking**

  Corporate Banking offers a wide range of products and financial services to customers through a network of 35 regional Corporate Business Centres and through telephony and e-commerce channels. It principally serves companies with annual turnover of more than £250,000 including SMEs. Corporate Banking products and services include loans, bank accounts, deposits, treasury services, invoice discounting, cash transmission and asset finance.

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

- **Markets**

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

- **Corporate Centre**

  Corporate Centre (formerly known as Group Infrastructure), includes Financial Management & Investor Relations ('FMIR', formerly known as Asset and Liability Management) and the non-core corporate and legacy portfolios. FMIR is responsible for managing capital and funding, balance sheet composition, structural market risk and strategic liquidity risk for the rest of the

Santander UK group. The non-core corporate and legacy portfolios include aviation, shipping, infrastructure, commercial mortgages, social housing loans and structured credit assets, all of which are being run-down and/or managed for value.

The business segments detailed above are supported by various divisions including:

- **Retail Products and Marketing** – responsible for developing Santander UK plc's products, marketing and brand communications to serve customers better.
- **Manufacturing** – responsible for all information technology and operations activity, including service centres.
- **Risk** – responsible for ensuring that Santander UK plc is provided with an appropriate risk policy and control framework, and to report any material risk issues to the Board Risk Committee and the board.
- **Internal Audit** – responsible for supervising the compliance, effectiveness and efficiency of Santander UK plc's internal control systems to manage its risks.
- **Human Resources** – responsible for delivering the human resources strategy and personnel support.

In addition there are a number of corporate units including Financial Control, Legal & Secretariat, Strategy, Internal Control and Compliance, Regulatory Affairs and Pensions, Customer Experience, Communications and Santander Universities in the UK.

Planned Acquisitions of RBS and NatWest branches by Santander UK plc

On 17 October, 2012, Santander UK plc and Royal Bank of Scotland Group plc (''RBS'') formally confirmed that the agreement to purchase Royal Bank of Scotland England and Wales and NatWest Scotland branch based businesses (the ''Businesses'') terminated with effect from 12 October 2012 in accordance with its terms. Both parties agreed that the conditions to the transfer of the Businesses from RBS to Santander UK plc were incapable of satisfaction by the agreed final deadline of end of February 2013 and that the agreement had therefore terminated with effect from 12 October, 2012.

Directors of Santander UK plc

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

Position	*Name*	*Other principal activities*
Chairman	Lord Terence Burns	Non-Executive Director of Banco Santander, S.A.; Chairman of Channel 4 Television Corporation; Member of House of Lords; Chairman of the Royal Academy of Music's Governing Body; Non-Executive Member of the Office of Budget Responsibility; and Member of the Whistleblowing Commission.
Deputy Chairman and Non-Executive Director	Juan Rodriguez Inciarte	Head of Strategy for Banco Santander, S.A.; Director, Banco Banif, S.A.; Director, Santander Consumer Finance S.A.; Member of Banco Santander International Advisory Board; Chairman of the US-Spain Council; Member of the Spain-Japan Council Foundation Member of the Board of Trustees of the Carlos V International Centre of the Autonomous University of Madrid Fellow of The Chartered Institute of Bankers in Scotland.
Executive Director and Chief Executive Officer	Ana Botín	Executive Director of Banco Santander, S.A.; President of Ingeniería de Software Bancario, S.L.; Trustee of Marclino Botín Foundation; Vice Chairperson of Empresa y Crecimiento Foundation; Member of Trilateral Commission; Member of Conocimiento y Deserrollo Foundation; Member of the International Advisory Board of the NYSE; Member of the International Advisory Board of the Inter-American Development Bank; Trustee of the Mayor's Fund for London; Member of the Empieza por Educar Foundation; Member of Advisory Board, Deusto Business School;

Position	*Name*	*Other principal activities*
		Member of Advisory Board, INSEAD; Member of Advisory Board, Georgetown University; Member of Advisory Board, Said Business School; and Member of the EuroAmerica Foundation.
Executive Director and Chief Risk Officer	Jose Maria Nus	Member of Banesto Foundation; Member of Spanish Governmental Observatory for Multinationals; and Member of Catalan Economic Society.
Executive Director and Head of UK Banking	Stephen Pateman	None.
Executive Director and Chief Financial Officer	Stephen Jones	None.
Non-Executive Directors	Rosemary Thorne	Non-Executive Director of Smurfitt Kappa Group plc.
	Roy Brown	None.
	José María Carballo	Chairman of La Unión Résinera Española; Chairman of Vista Desarrollo S.A.; Director of Vista Capital Expansión S.A. S.G.E.C.R.; Director, Santander Real State, S.A.; Director of Teleférico Pico del Teide, S.A; and Member of the Iberoamerican Benevolent Society.
	José Maria Fuster	Chief Information Officer of Banco Santander, S.A.; Non Executive Director of Banco Español de Crédito, S.A. (''Banesto''); Director of Santander Consumer Holdings GmBH; Director of Ingeniería de Software Bancario, S.L; Managing Director, Banco Santander Group technology and Operations; and Director of Grupo Santander Holdings USA, Inc.
	Bruce Carnegie-Brown	Chairman of Aon UK Limited; Senior Independent Director of Close Brothers Group plc; Senior Independent Director of Catlin Group Limited; and Non-Executive Director of Moneysupermarket.com Group plc.
	Antonio Escámez Torres	Chairman of Fundación Banco Santander; Member of Banco Santander International Advisory Board; Chairman of Santander Consumer Finance, S.A.; Chairman of Openbank, S.A.; Chairman of Arena Media Communications Espana, S.A.; Chairman of Grupo Konnectanet S.L.; Chairman of the Spain-India Council Foundation; and Vice-Chairman of Attijariwafa Bank.

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

Conflicts of Interest

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

Credit Ratings

As at the date of this Prospectus, the long-term obligations of Santander UK are rated A+ by S&P, A1 by Moody's and A+ by Fitch, and the short-term obligations of Santander UK are rated A-1 by S&P, P-1 by Moody's and F1 by Fitch.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the ''Clearing Systems'') currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer and the Guarantor believe to be reliable. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Guarantor, the Trustee, the Dealers and the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records or payments relating to such beneficial ownership interests.

Book-entry Systems

DTC

DTC has advised the Issuer and the Guarantor that it is a limited purpose trust company organised under the New York Banking Law, a ''banking organisation'' within the meaning of the New York Banking Law, a member of the Federal Reserve System a ''clearing corporation'' within the meaning of the New York Uniform Commercial Code and a ''clearing agency'' registered pursuant to Section 17A of the Exchange Act. DTC holds and provides asset servicing for securities that its participants (''Participants'') deposit with DTC. DTC also facilitates the post trade settlement among Participants of sales and other securities transactions in deposited securities through electronic computerised book-entry changes between Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations (''Direct Participants''). DTC is a wholly-owned subsidiary of the Depositary Trust & Clearing Corporation (''DTCC'') DTC, in turn, is owned by a number of Direct Participants and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc.. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (''Indirect Participants''). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Direct or Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the ''Rules''), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system (''DTC Notes'') as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the United States Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (''Owners'') have accounts with respect to the DTC Notes are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants can receive payments and transfer their interest with respect to the DTC Notes.

Purchases of DTC Notes under the DTC System must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note (''Beneficial Owner'') is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other nominee as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping an account of their holdings of DTC Notes on behalf of their customers.

Delivery of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes of a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series to be redeemed.

Neither DTC nor Cede & Co. nor such other nominee will consent or vote with respect to DTC Notes. Under its usual procedures, DTC will mail an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in ''street name'', and will be the responsibility of such Direct or Indirect Participant and not of DTC or its nominee or the Issuer or the Guarantor, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC is the responsibility of the Issuer or the Guarantor, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants. None of the Issuer or the Guarantor accept any responsibility or liability for any such payments to be made by DTC or by Direct or Indirect Participants.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payments in respect of DTC Notes

The Issuer will apply to DTC in order to have each Tranche of Notes represented by Rule 144A Global Notes accepted in its book-entry settlement system. Upon the issue of any Rule 144A Global Notes, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Rule 144A Global Notes to the accounts of DTC Participants. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in a Rule 144A Global Note will be held through

Direct Participants or Indirect Participants of DTC, including the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Rule 144A Global Note will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Rule 144A Global Note registered in the name of DTC's nominee will be made to the order of such nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made by the Issuer to the Exchange Agent on behalf of DTC's nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Rule 144A Notes in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Rule 144A Global Note to pledge such Notes to persons or entities that do not participate in the DTC system or to otherwise take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Rule 144A Global Note to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a Direct or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "Subscription and Sale and Transfer and Selling Restrictions", cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian ("Custodian") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Euroclear and Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream, Luxembourg and DTC Participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a delivery free of payment basis and arrangements for payment must be made separately.

DTC, Euroclear and Clearstream, Luxembourg have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Guarantor, the Trustee, the Agents or any Dealer will be responsible for any performance by DTC, Euroclear or Clearstream, Luxembourg or their respective Direct or Indirect Participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The comments below are of a general nature and are based on the Issuer's and the Guarantor's understanding of current tax law and published practice as at the date of this Prospectus. They relate only to the position of persons who are the absolute beneficial owners of the Notes and may not apply to certain classes of Noteholders (such as dealers in securities) to whom special rules may apply. They are not exhaustive. They relate only to the deduction from interest on the Notes for or on account of tax in the United Kingdom (and do not deal with any other United Kingdom tax implications of acquiring, holding or disposing of the Notes) and to certain aspects of U.S. Federal Income tax. The United Kingdom tax treatment of Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective noteholders who may be unsure of their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom or the United States or who are resident in, but not domiciled in, the United Kingdom for tax purposes, should seek their own professional advice.

UK Taxation

1. The Issuer, provided that it continues to be a bank for the purposes of Section 991 of the Income Tax Act 2007 (''ITA 2007'') and provided that the interest on the Notes which it issues is paid in the ordinary course of its business within the meaning of Section 878 of ITA 2007, is entitled to make payments of interest on such Notes without withholding or deduction for or on account of United Kingdom income tax. Interest will not be regarded as being paid in the ordinary course of business where the borrowing relates to the capital structure of the Issuer. The borrowing will be regarded as relating to the capital structure of the Issuer if it conforms to any of the definitions of tier 1, 2 or 3 capital adopted by the PRA, whether or not the borrowing actually counts towards tier 1, 2 or 3 capital for regulatory purposes.

2. Payments of interest on Notes issued by the Issuer (whether or not paragraph 1 above applies) which are ''quoted Eurobonds'' within the meaning of Section 987 of ITA 2007 may be made without withholding or deduction for or on account of United Kingdom income tax by the Issuer and any Paying Agents. Notes will constitute ''quoted Eurobonds'' while they are admitted to trading on a recognised stock exchange and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange (as defined in section 1005 ITA 2007).

   In the UK, the UK Listing Authority is a competent authority and the London Stock Exchange is a recognised stock exchange. So long as this remains the case, securities will constitute ''quoted Eurobonds'', provided they are and continue to be admitted to the Official List by the UK Listing Authority and admitted to trading on the London Stock Exchange's Regulated Market.

   In other cases tax may, subject to any relief available under any applicable double taxation convention, have to be withheld from payments of interest on the Notes at the rate set out in paragraph 3 below.

3. Where United Kingdom tax is withheld, the rate is the ''basic rate'' of income tax (currently 20 per cent.).

4. HM Revenue & Customs (''HMRC'') has powers, in certain circumstances, to obtain information about: payments derived from securities (whether income or capital); certain payments of interest (including the amount payable on the redemption of a deeply discounted security); and securities transactions.

   The persons from whom HMRC can obtain information include: a person who receives (or is entitled to receive) a payment derived from securities; a person who makes such a payment (received from, or paid on behalf of another person); a person by or through whom interest is paid or credited; a person who effects or is a party to securities transactions on behalf of others; registrars or administrators in respect of securities transactions; and each registered or inscribed holder of securities.

The information HMRC can obtain includes: details of the beneficial owner of securities or, if not known, details of the person for whom the securities are held, or the person to whom the payment is to be made (and, if more than one, their respective interests); information and documents relating to securities transactions; and, in relation to interest paid or credited on money received or retained in the United Kingdom, the identity of the security under which interest is paid. HMRC is generally not able to obtain information (under its power relating solely to interest) about a payment of interest to (or a receipt for) a person that is not an individual. This limitation does not apply to HMRC's power to obtain information about payments derived from securities.

HMRC has indicated that it will not use its information gathering power on interest to obtain information about amounts payable on the redemption of deeply discounted securities which are paid before 6 April, 2014.

In certain circumstances the information which HMRC has obtained using these powers may be exchanged with tax authorities in other jurisdictions.

5. *Directive on the taxation of savings income*

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during such 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.

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

Prospective Noteholders who may be affected by any of these requirements are advised to seek their own professional advice.

U.S. Taxation

The applicable Final Terms relating to any Tranche of Notes, all or a portion of which are to be offered or sold to, or for the account or benefit of, a U.S. person will set forth information regarding the U.S. federal income tax treatment of any such Notes. U.S. persons considering the purchase of Notes should consult their own tax advisers concerning the application of U.S. federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of Notes arising under the laws of any other taxing jurisdictions.

PROSPECTIVE NOTEHOLDERS WHO ARE IN ANY DOUBT AS TO THEIR TAX POSITION OR WHO MAY BE SUBJECT TO TAX IN A JURISDICTION OTHER THAN THE UNITED KINGDOM OR THE UNITED STATES SHOULD SEEK INDEPENDENT PROFESSIONAL ADVICE.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have in a programme agreement (such programme agreement as modified and/or supplemented and/or restated from time to time, the "Programme Agreement") dated 2 May, 2013 agreed with the Issuer and the Guarantor a basis upon which the Issuer may from time to time agree to issue Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes". In the Programme Agreement, the Issuer (failing which, the Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

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

Selling Restrictions

United States

Each Dealer has acknowledged, and each further Dealer appointed under the Programme Agreement will be required to acknowledge, that the Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or other relevant jurisdiction within the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

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 U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code and regulations thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has agreed, and each further Dealer appointed under the Programme Agreement will be required to agree, that except as permitted by the Programme Agreement, it has not offered, sold or delivered Notes and it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Notes of the relevant Tranche, within the United States or to, or for the account or benefit of U.S. persons and only in accordance with Rule 903 of Regulation S or, if applicable, Rule 144A under the Securities Act and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it or through it during the distribution compliance period a confirmation or notice setting forth the restrictions on offers and sales of the Notes within the United States or to or for the account or benefit of U.S. persons.

The Notes are being offered and sold only (a) outside the United States to persons other than U.S. persons ("foreign purchasers", which term includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners, other than an estate or trust) in reliance upon Regulation S and (b) to a limited number of QIBs in compliance with Rule 144A.

Terms used in this section of "Selling Restrictions" have the meanings given to them by Regulation S.

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

Each purchaser of Notes will be deemed to have represented and agreed as follows:

(1) It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is either (A) a QIB and is aware that the sale to it is being made in reliance on Rule 144A, or (B) a foreign purchaser that is outside the United States (or a foreign purchaser that is a dealer or other fiduciary as referred to above).

(2) It acknowledges that the Notes have not been registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.

(3) It agrees that the Issuer has no obligation to register the Notes under the Securities Act.

(4) It will not resell or otherwise transfer any Notes except (A) in accordance with Rule 144A to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB, (B) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (C) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (D) pursuant to an effective registration statement under the Securities Act in each case, in accordance with all applicable U.S. State securities laws.

(5) It will give to each person to whom it transfers Notes notice of any restrictions on transfer of those Notes.

(6) It understands that the Notes offered will be represented by Registered Notes or, in the case of Notes offered in reliance on Regulation S, Bearer Global Notes. Before any interest in a Regulation S Global Note or in a Rule 144A Global Registered Note may be offered, sold, pledged or otherwise transferred to a person who is not a QIB or a foreign purchaser, the transferee will be required to provide the Issue Agent with a written certification (the form of which certification can be obtained from the Trustee) as to compliance with the transfer restrictions referred to above.

(7) It understands that each of the Notes will bear a legend substantially to the following effect unless otherwise agreed by the Issuer and the holder of particular Notes:

Any Notes that are offered, sold or transferred in the United States or to or for the account or benefit of a U.S. person (as defined in Regulation S) will either be issued in the form of Definitive Registered Notes, registered in the name of the registered holder thereof, or be represented by a Rule 144A Global Registered Note which will be deposited with a custodian for, and registered in the name of a nominee of, DTC.

(8) It acknowledges that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Each Definitive Registered Note will bear a legend to the following effect:

"THE NOTES REPRESENTED BY THIS DEFINITIVE REGISTERED NOTE AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND, MAY BE TRANSFERRED ONLY PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AS SET FORTH BELOW.

THE REGISTERED OWNER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS DEFINITIVE REGISTERED NOTE IS ISSUED, (1) REPRESENTS FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE NOTES THAT IT IS THE SOLE BENEFICIAL OWNER OF THE NOTES REPRESENTED HEREBY OR IS PURCHASING SUCH NOTES FOR ONE OR MORE ACCOUNTS MAINTAINED BY IT OR OVER WHICH IT EXERCISES SOLE INVESTMENT DISCRETION AND THAT EITHER (A) IT AND ANY SUCH ACCOUNT ARE NOT U.S. PERSONS (AS

DEFINED IN REGULATION S OF THE SECURITIES ACT) AND ARE NOT PURCHASING SUCH NOTES FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON, OR (B) IT AND ANY SUCH ACCOUNT ARE (OR ARE HOLDING SUCH NOTES FOR THE BENEFIT OF) QUALIFIED INSTITUTIONAL BUYERS (''QIBS'') AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, (2) ACKNOWLEDGES THAT THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED, SOLD, RESOLD OR DELIVERED IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH ACT IN ACCORDANCE WITH THE TERMS HEREOF, AND (3) AGREES, FOR THE BENEFIT OF THE ISSUER, THAT SUCH NOTES MAY ONLY BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DELIVERED (A) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT OR (B) TO A PERSON WHO THE SELLER REASONABLY BELIEVES TO BE A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND WHO HAS DULY COMPLETED AN INVESTMENT LETTER (THE FORM OF WHICH IS ATTACHED TO THE AGENCY AGREEMENT AND CAN BE OBTAINED FROM THE REGISTRAR).

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

EACH HOLDER OF THIS DEFINITIVE REGISTERED NOTE AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS DEFINITIVE REGISTERED NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

FOR THE PURPOSES HEREOF, ''OFFSHORE TRANSACTION'' AND ''U.S. PERSON'' SHALL HAVE THE MEANINGS GIVEN TO THEM IN RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.''

Each Rule 144A Global Registered Note will bear a legend to the following effect:

''THE NOTES REPRESENTED BY THIS GLOBAL NOTE AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE ''SECURITIES ACT''), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND, MAY BE TRANSFERRED ONLY PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AS SET FORTH BELOW.

THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS GLOBAL NOTE IS ISSUED (OR ANY BENEFICIAL INTEREST OR PARTICIPATION HEREIN) ON ITS OWN BEHALF AND ON BEHALF OF ANY ACCOUNT FOR WHICH IT IS PURCHASING THIS GLOBAL NOTE OR ANY BENEFICIAL INTEREST OR PARTICIPATION HEREIN, (1) REPRESENTS FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO SUCH NOTES THAT IT IS THE SOLE BENEFICIAL OWNER OF THE NOTES REPRESENTED HEREBY OR IS PURCHASING SUCH NOTES FOR ONE OR MORE ACCOUNTS MAINTAINED BY IT OR OVER WHICH IT EXERCISES SOLE INVESTMENT DISCRETION AND THAT EITHER (A) IT AND ANY SUCH ACCOUNT ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S OF THE SECURITIES ACT) AND ARE NOT PURCHASING SUCH NOTES FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON, OR (B) IT AND ANY SUCH ACCOUNT ARE (OR ARE HOLDING SUCH NOTES FOR THE BENEFIT OF) QUALIFIED INSTITUTIONAL BUYERS (''QIBS'') AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, (2) ACKNOWLEDGES THAT SUCH NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED, SOLD, RESOLD OR DELIVERED IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH ACT IN ACCORDANCE WITH THE TERMS HEREOF, (3) AGREES TO NOTIFY ANY SUBSEQUENT TRANSFEREE OF THE TRANSFER RESTRICTIONS SET OUT HEREIN AND THAT IT WILL BE A CONDITION TO SUCH TRANSFER THAT THE TRANSFEREE WILL BE DEEMED TO MAKE THE REPRESENTATIONS SET OUT HEREIN, AND (4) AGREES, FOR THE BENEFIT OF THE ISSUER, THAT SUCH NOTES MAY ONLY BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DELIVERED (A) TO A NON-U.S. PERSON IN AN

OFFSHORE TRANSACTION IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT OR (B) TO A PERSON WHO THE SELLER REASONABLY BELIEVES TO BE A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

EACH HOLDER OF THIS GLOBAL NOTE OR AN INTEREST HEREIN AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

FOR THE PURPOSES HEREOF, "OFFSHORE TRANSACTION" AND "U.S. PERSON" SHALL HAVE THE MEANINGS GIVEN TO THEM IN RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.

Each Regulation S Global Note will bear a legend to the following effect:

"THE NOTES REPRESENTED BY THIS GLOBAL NOTE AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR TRANSFER OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. BY PURCHASING OR OTHERWISE ACQUIRING THE NOTES REPRESENTED BY THIS GLOBAL NOTE. THE HOLDER AGREES FOR THE BENEFIT OF THE ISSUER THAT, IF IT SHOULD DECIDE TO DISPOSE OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE PRIOR TO THE DATE WHICH IS 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE, THE NOTES REPRESENTED BY THIS GLOBAL NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND ONLY (A) TO PERSONS WHOM THE SELLER REASONABLY BELIEVES TO BE QUALIFIED INSTITUTIONAL BUYERS ("QIBS"), AS DEFINED IN RULE 144A ("RULE 144A") UNDER THE SECURITIES ACT, OR (B) OTHERWISE TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT; PROVIDED THAT, IN THE CASE OF A TRANSFER PURSUANT TO CLAUSE (A), A TRANSFEROR OF THE NOTES WILL BE REQUIRED (1) TO EXECUTE AND DELIVER TO THE ISSUER AND THE REGISTRAR A TRANSFER CERTIFICATE (THE FORM OF WHICH IS ATTACHED TO THE AGENCY AGREEMENT AND CAN BE OBTAINED FROM THE REGISTRAR) AND (2) TO EXCHANGE THE PORTION OF THIS GLOBAL NOTE TO BE SO TRANSFERRED FOR AN INTEREST IN A RULE 144A GLOBAL REGISTERED NOTE OR A DEFINITIVE REGISTERED NOTE (AS SET OUT IN THE APPLICABLE FINAL TERMS) TO BE REGISTERED IN THE NAME OF THE TRANSFEREE.

EACH HOLDER OF THIS NOTE OR AN INTEREST HEREIN AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

FOR THE PURPOSES HEREOF, "OFFSHORE TRANSACTION" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT."

Public Offer Selling Restriction under the Prospectus Directive

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

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

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

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

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

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

United Kingdom

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

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of the Commonwealth of Australia) in relation to the Programme or the Notes has been, or will be, lodged with the Australian Securities and Investments Commission (''ASIC''). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that (unless the applicable Final Terms or another supplement to this Prospectus otherwise provides) it:

(a) has not made or invited, and will not make or invite, an offer of the Notes for issue or sale in the Commonwealth of Australia (including an offer or invitation which is received by a person in the Commonwealth of Australia); and

(b) has not distributed or published, and will not distribute or publish, this Prospectus or any other offering material or advertisement relating to any Notes in the Commonwealth of Australia,

unless:

(i) the aggregate consideration payable by each offeree is at least A$500,000 (or its equivalent in an alternative currency, in either case disregarding moneys lent by the offeror or its associates);

(ii) the offer or invitation does not require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act 2001 of the Commonwealth of Australia;

(iii) the offer or invitation does not constitute an offer to a ''retail client'' as defined for the purposes of section 761G of the Corporations Act 2001 of the Commonwealth of Australia;

(iv) such action complies with all applicable laws, regulations and directives; and

(v) such action does not require any document to be lodged with ASIC or any other regulatory authority.

Japan

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

Hong Kong

Each Dealer has represented and agreed that:

1. it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a ''structured product'' as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than (i) to ''professional investors'' as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a ''prospectus'' as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning that Ordinance; and

2. it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to ''professional investors'' as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore and Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the ''Securities and Futures Act''). Accordingly, the Notes may not be offered or sold, or be made the subject of an invitation for subscription or purchase nor may this Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (ii) to a relevant person or any person pursuant to Section 275(1), and in accordance with the conditions specified in Section 275, of the Securities and Futures Act or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased Notes, namely a person who is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferred for six months after that corporation or trust has acquired the Notes under Section 275 of the Securities and Futures Act except:

(1) to an institutional investor under Section 274 of the Securities and Futures Act respectively or to a relevant person or any person pursuant to Section 275(1) and Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law; or

(4) pursuant to Section 276(7) of the Securities and Futures Act.

Canada

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

(a) the sale and delivery of any Notes to any purchaser who is a resident of Canada or otherwise subject to the laws of Canada or who is purchasing for a principal who is a resident of Canada or otherwise subject to the laws of Canada (each such purchaser or principal a ''Canadian Purchaser'') by such Dealer shall be made so as to be exempt from the prospectus filing requirements in Canada, and exempt from or in compliance with the dealer registration requirements in Canada, of all applicable securities laws and regulations of Canada, rulings and orders made thereunder and rules, instruments and policy statements issued and adopted by the relevant securities regulator or regulatory authority in Canada, including those applicable in each of the provinces and territories of Canada (the ''Canadian Securities Laws'');

(b) where required under applicable Canadian Securities Laws:

  (i) it is appropriately registered under the applicable Canadian Securities Laws in each province and territory to sell and deliver the Notes to each Canadian Purchaser that is a resident of, or otherwise subject to the Canadian Securities Laws of, such province or territory, and to whom it sells or delivers any Notes;

  (ii) such sale and delivery will be made through an affiliate of it that is so registered if the affiliate is registered in a category that permits such sale and has agreed to make such sale and delivery in compliance with the representations, warranties and agreements set out herein;

  (iii) it is entitled to rely upon a dealer registration exemption for trades with ''accredited investors'' made available under a blanket order issued by the applicable securities regulatory authority of the province or territory each Canadian Purchaser to whom it sells or delivers any Notes to is a resident of otherwise subject to the Canadian Securities Laws of; or

  (iv) the Notes are being offered primarily in a jurisdiction outside of Canada and any sale and delivery of Notes in Canada will be made by a Dealer that is permitted to rely on the ''international dealer exemption'' contained in, and each investor in Canada has received the notice from such Dealer referred to in, section 8.18 of NI 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations (''NI 31-103'');

(c) it will comply with all relevant Canadian Securities Laws concerning any resale of the Notes by it and will prepare, execute, deliver and file the report of exempt distribution under NI 45-106 (as defined below) and the Canadian Offering Memorandum (as defined below), if applicable, required by the applicable Canadian Securities Laws to permit each resale by it of Notes to a Canadian Purchaser;

(d) it will ensure that each Canadian Purchaser purchasing from it: (i) has represented to it that such Canadian Purchaser is a resident in, and subject to the Canadian Securities Laws of, a province or territory of Canada, or is a corporation, partnership, or other entity, resident and created in or organised under the laws of Canada or any province or territory thereof; (ii) has represented to it that (a) such Canadian Purchaser is an ''accredited investor'' as defined in section 1.1 of National Instrument 45-106-Prospectus and Registration Exemptions (''NI 45-106'') and which categories set forth in the relevant definition of ''accredited investor'' in NI 45-106 correctly describe such Canadian Purchaser, and (b) where the sale and delivery of the Notes will be made by a Dealer that is permitted to rely on the ''international dealer exemption'', that such Canadian Purchaser is a ''permitted client'' and a ''Canadian permitted client'' as defined in section 1.1 and

section 8.18 respectively of NI 31-103 and which categories set forth in the relevant definitions of permitted client and Canadian permitted client in NI 31-103 correctly describe such Canadian Purchaser; (iii) has represented to it that it is not a person created or used solely to purchase or hold the Notes as an accredited investor as described in Section 2.3(5) of NI 45-106 or as a permitted client and a Canadian permitted client as described in NI 31-103 (as applicable); and (vi) consents to disclosure of all required information about the purchase to the relevant Canadian securities regulatory authorities;

(e) the offer and sale of the Notes by the Dealer was not made through or accompanied by any advertisement of the Notes, including, without limitation, in printed media of general and regular paid circulation, radio, television, or telecommunications, including electronic display or any other form of advertising or as part of a general solicitation in Canada by the Dealer;

(f) it has not provided and will not provide to any Canadian Purchaser any document or other material that would constitute an offering memorandum (other than the Canadian Offering Memorandum prepared in connection with the issue of the relevant Notes to be prepared by the Issuer, in form and content satisfactory to the Dealer, acting reasonably, and provided to the Dealer (the "Canadian Offering Memorandum"));

(g) it will ensure that each Canadian Purchaser purchasing from it is advised that no securities commission, stock exchange or other similar regulatory authority in Canada has reviewed or in any way passed upon the Canadian Offering Memorandum or the merits of the Notes described therein, nor has any such securities commission, stock exchange or other similar regulatory authority in Canada made any recommendation or endorsement with respect to the Notes, provided that a statement to such effect in the Canadian Offering Memorandum delivered to such Canadian Purchaser by the Dealer shall constitute such disclosure;

(h) it has not made and it will not make any written or oral representations to any Canadian Purchaser (i) that any person will resell or repurchase the Notes purchased by such Canadian Purchaser; (ii) that the Notes will be freely tradeable by the Canadian Purchaser without any restrictions or hold periods; (iii) that any person will refund the purchase price of the Notes; or (iv) as to the future price or value of the Notes; and

(i) it will inform each Canadian Purchaser purchasing from it (i) that the Issuer is not a "reporting issuer" (as defined under applicable Canadian Securities Laws) and is not, and may never be, a reporting issuer in any province or territory of Canada and there currently is no public market in Canada for any of the Notes, and one may never develop; (ii) that the Notes will be subject to resale restrictions under applicable Canadian Securities Laws; and (iii) such Canadian Purchaser's name and other specified information will be disclosed to the relevant Canadian securities regulators or regulatory authorities and may become available to the public in accordance with applicable laws, provided that a statement to such effect in the Canadian Offering Memorandum delivered to such Canadian Purchaser by the Dealer shall constitute such disclosure.

Poland

No permit has been obtained from the Polish Financial Supervisory Authority ("Polish FSA") in relation to the issue of the Notes nor has the issue of the Notes been notified to the Polish FSA in accordance with applicable procedures. Accordingly, the Notes may not be offered in the Republic of Poland ("Poland") in the public manner, defined in the Polish Act on Public Offerings, the Conditions Governing the Introduction of Financial Instruments to Organised Trading System and Public Companies dated 29 July, 2005 (as amended) as an offering to sell or a purchase of securities, made in any form and by any means, if the offering is directed at 100 or more people or at an unnamed addressee ("Public Offering"). Each Dealer has confirmed that it is aware that no such permit has been obtained nor such notification made and has represented that it has not offered, sold or delivered and will not offer, sell or deliver the Notes in Poland in the manner defined as Public Offering as part of their initial distribution or otherwise to residents of Poland or on the territory of Poland. Each Dealer has acknowledged that the acquisition and holding of the Notes by residents of Poland may be subject to restrictions imposed by Polish law (including foreign exchange regulations) and that the offers and sales of the Notes to Polish residents or within Poland in secondary trading may also be subject to restrictions.

General

Each Dealer has severally agreed, and each further Dealer appointed under the Programme will be required to agree, with the Issuer and the Guarantor that it will observe all applicable laws and regulations in any jurisdiction in which it may offer, sell or deliver Notes and that it will not, directly or indirectly, offer, sell or deliver Notes or distribute or publish this document, any prospectus, circular, advertisement or other offering material (including, without limitation, any supplement to this document) in relation to the Notes in or from any country of jurisdiction except under circumstances that will to be the best of its knowledge and belief result in compliance with any applicable laws and regulations, and all offers, sales and deliveries of Notes by it will be made on the foregoing terms.

The restrictions on offerings may be modified by the agreement of the Issuer, the Guarantor and the Dealers following a change in a relevant law, regulation or directive.

GENERAL INFORMATION

1. Incorporation

Abbey National Treasury Services plc and Santander UK plc were incorporated in England and Wales on 24 January, 1989 and 12 September, 1988 respectively, and with registered numbers 2338548 and 2294747 respectively.

2. Authorisation

The continuation of the Programme and the issue of Notes (with maturities not exceeding 30 years) was duly confirmed and authorised by resolutions of the Board of Directors of Abbey National Treasury Services plc dated 8 May, 2007. Pursuant to such resolutions, authority was delegated to the Chief Executive Officer or any two directors of Santander UK plc to sub-delegate authority to authorise the update of the Programme. Pursuant to such sub-delegated authority excercised pursuant to MTN approvals and authorisations dated 3 September, 2009, the update of the Programme by the Issuer has been duly authorised by Update Approvals and Authorisations of the Issuer dated 24 April, 2013. The continuation of the Programme and the giving of Guarantee was duly confirmed and authorised by a resolution of the Board of Directors of Santander UK plc dated 27 March, 2007. Pursuant to such resolution, authority was delegated to the Chief Executive Officer or any two directors of Santander UK plc to sub-delegate authority to authorise the update of the Programme. Pursuant to such sub-delegated authority excercised pursuant to an MTN approval and authorisation dated 3 September, 2009, the update of the Programme has been duly authorised by an Update Approval and Authorisation of the Guarantor dated 24 April, 2013.

3. Listing of Notes on the Official List

The listing of Notes on the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to listing on the Official List and to trading on the London Stock Exchange's Regulated Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. The acceptance of the Programme on the Official List in respect of Notes is expected to be granted on or around 2 May, 2013.

4. Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Issuer and the Guarantor and at the specified offices of the Paying Agents (and items (i), (iv) and (v) will be available for collection free of charge):

(i) the articles of association of the Issuer and the articles of association of the Guarantor;

(ii) the consolidated and non-consolidated audited financial statements of the Issuer and the Guarantor in respect of the financial years ended 31 December, 2011 and 31 December, 2012;

(iii) the Programme Agreement, the Agency Agreement and the Trust Deed (which contains the Guarantee, the forms of Global Notes, Notes in definitive form, Coupons and Talons);

(iv) this Prospectus;

(v) any future information memoranda, offering circulars, prospectuses and supplements to this Prospectus and any other documents incorporated herein or therein by reference; and

(vi) Final Terms (save that Final Terms relating to a Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity).

5. Clearing Systems

The Notes in bearer and registered form have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and Common Code, will be specified in

the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is 3 Boulevard du Roi Albert II, B.1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Avenue J. F. Kennedy, L-1855 Luxembourg.

The address of DTC is 55 Water Street, 25th Floor, New York, NY 10041-0099, United States of America.

6. Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer or the Guarantor and its subsidiaries since 31 December, 2012, being the date of its last published consolidated annual financial statements.

There has been no material adverse change in the financial position or prospects of the Issuer or the Guarantor since 31 December, 2012, being the date of its last published consolidated annual financial statements.

7. Litigation

A claim was filed against the Issuer by tax authorities abroad in relation to the refund of certain tax credits and other associated amounts. A favourable judgment at first instance was handed down in September 2006, although the judgment was appealed against by the tax authorities in January 2007 and the court found in favour of the latter in June 2010. The Issuer appealed against this decision at a higher court and in December 2011 the tax authorities confirmed their intention to file the related pleadings. Although the matter remained in dispute, in January 2012, following a demand from the tax authorities, the Issuer paid £67m, for which it already held a provision. The higher court hearing took place in April 2012 and the judgment found in favour of the tax authorities upholding their appeal. There is no recourse for further appeal.

Other than the proceedings disclosed in the preceding paragraph, there are not any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or had, in the 12 months prior to the date hereof, a significant effect on the financial position or profitability of the Santander UK Group, the Issuer or the Guarantor and its subsidiaries.

8. Auditors

The consolidated annual financial statements of the Issuer, the Guarantor and the Group for the years ended 31 December, 2012 and 31 December, 2011 herein included or incorporated by reference were audited by Deloitte LLP, Chartered Accountants and Registered Auditors, as stated in the report appearing therein, in accordance with International Standards on Auditing (UK and Ireland) and have been reported on without qualification. The auditors of the Issuer, the Guarantor and the Group have no material interest in the Issuer, the Guarantor or the Group.

The Trust Deed will provide that the Trustee may rely on any certificate or report of the auditors or any other expert as sufficient evidence of the facts stated therein in accordance with the provisions of the Trust Deed whether or not called for by or addressed to the Trustee and whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the auditors or any other expert in connection therewith contains a monetary or other limit on the liability of the auditors or such other expert.

10. Legend for Bearer Notes, Coupons and Talons in respect of certain limitations under United States income tax laws

Bearer Notes and the relevant Coupons or Talons will bear a legend to the effect that any U.S. person holding the same will be subject to limitations under the United States income tax laws, including those under Sections 165(j) and 1287(a) of the United States Internal Revenue Code of 1986, as amended.

11. Programme Ratings

As at the date of this Prospectus, the Programme has been rated (i) (P)A (long-term) and (P)P-1 (short-term) by Moody's, (ii) A (senior unsecured notes with a maturity of one year or more), A-1 (senior unsecured notes with a maturity of less than one year) and (iii) A+ (long-term senior unsecured) and F1 (short-term senior unsecured) by Fitch.

12. Contracts (Rights of Third Parties) Act 1999

The Contracts (Rights of Third Parties) Act 1999 (the "Act") provides, *inter alia*, that persons who are not parties to a contract governed by the laws of England and Wales may be given enforceable rights under such contract. This Programme expressly excludes the application of the Act to any issue of Notes under the Programme.

13. Post Issuance Information

The Issuer does not intend to provide any post-issuance information in relation to any issue of Notes.

14. Indicative Yield for Fixed Rate Notes

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

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