

## **Program Information**

**Santander UK Group Holdings plc**

## PROGRAM INFORMATION

Type of Information:	Program Information
Date of Announcement:	5 October 2015
Issuer Name:	Santander UK Group Holdings plc
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Type of Securities:	Notes
Scheduled Issuance Period:	5 October 2015 to 4 October 2016
Maximum Outstanding Issuance Amount:	€30,000,000,000
Address of Website for Announcement:	<a href="http://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html">http://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html</a>
Status of Submission of Annual Securities Reports or Issuer Filing Information:	None
Name of Arranger (for the purpose of this Program Information):	Mizuho International plc Nomura International plc

### Notes to Investors:

1. The TOKYO PRO-BOND Market is a market for professional investors, etc. (*Tokutei Toushika tou*) as defined in Article 2, Paragraph 3, Item 2(b)(2) of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") (the "**Professional Investors, Etc.**"). Notes listed on the market ("**Listed Notes**") may involve high investment risk. Investors should be aware of the listing eligibility and timely disclosure requirements that apply to issuers of Listed Notes on the TOKYO PRO-BOND Market and associated risks such as the fluctuation of market prices and shall bear responsibility for their investments. Prospective investors should make investment decisions after having carefully considered the contents of this Program Information.
2. Where this Program Information (a) contains any false statement on important matters, or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content, a person who, at the time of announcement of this Program Information, is an officer (meaning an officer stipulated in Article 21, Paragraph 1 of the FIEA (meaning a director (*torishimari-yaku*), accounting advisor (*kaikai-sanyo*), corporate auditor (*kansa-yaku*) or executive officer (*shikkou-yaku*), or a person equivalent to any of these) of the issuer (the "**Officer**") that announced this Program Information shall be liable

to compensate persons who acquired the securities for any damage or loss arising from the false statement or lack of information in accordance with the provisions of Article 21, Paragraph 1, Item 1 of the FIEA applied mutatis mutandis in Article 27-33 of the FIEA and Article 22 of the FIEA applied mutatis mutandis in Article 27-34 of the FIEA. However, this shall not apply to cases where the person who acquired the securities was aware of the existence of the false statement or the lack of information at the time of subscription for acquisition of the securities. Additionally, such Officer shall not be required to assume the liability prescribed above, where he/she proves that he/she was not aware of, and was unable to obtain knowledge of, even with reasonable care, the existence of the false statement or the lack of information.

3. The regulatory framework for the TOKYO PRO-BOND Market is different in fundamental aspects from the regulatory framework applicable to other exchange markets in Japan. Investors should be aware of the rules and regulations of the TOKYO PRO-BOND Market, which are available on Japan Exchange Group, Inc. website.
4. Tokyo Stock Exchange, Inc. ("**Tokyo Stock Exchange**") does not express opinions or issue guarantees, etc. regarding the content of this Program Information (including but not limited to, whether this Program Information (a) contains a false statement or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content) and shall not be liable for any damage or loss.
5. This Program Information (excluding Program Information concerning securities enumerated in each item of Article 3 of the FIEA) includes information regarding necessary matters pursuant to Rule 206, Paragraph 2 of the Special Regulations of Securities Listing Regulations Concerning Specified Listed Securities of Tokyo Stock Exchange (hereinafter referred to as the "**Special Regulations**") as information prescribed in Article 2, Paragraph 1, Item 1 of the Cabinet Office Ordinance on Provision and Publication of Information on Securities, etc. Accordingly, this Program Information shall constitute Specified Securities Information stipulated in Article 27-31, Paragraph 1 of the FIEA.
6. In this Program Information, references 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.
7. All prospective investors who purchase the notes of Santander UK Group Holdings plc (the "**Issuer**") to be issued in accordance with this Program Information (the "**Notes**") should be aware that when they offer to purchase the Notes, they shall be required to enter into and agree the terms of a transfer restriction agreement with the Issuer and/or the person making a solicitation. The terms of such transfer restriction agreement provide that prospective investors agree not to sell, transfer or otherwise dispose of the Notes to be held by them to any person other than the Professional Investors, Etc., except for the transfer of the Notes to the following:
  - (a) the Issuer or the Officer (meaning directors, corporate auditors, executive officers or persons equivalent thereto) thereof who holds shares or equity pertaining to voting rights exceeding 50% of all the voting rights in the Issuer which is calculated by excluding treasury shares or any non-voting rights shares (the "**Voting Rights Held by All the Shareholders, Etc.**" (*Sou Kabunushi Tou no Giketsuken*)) (as prescribed in Article 29-4, Paragraph 2 of the FIEA) of the Issuer under his/her own name or another person's name (the "**Specified Officer**" (*Tokutei Yakuin*)), or a controlled juridical person, etc. (*Hi-Shihai Houjin Tou*) (excluding the Issuer) of such Specified Officer (as defined in Article 11-2, Paragraph 3 of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act (MOF Ordinance No. 14 of 1993, as amended)); or
  - (b) a company that holds shares or equity pertaining to voting rights exceeding 50% of the Voting Rights Held by All the Shareholders, Etc. of the Issuer in its own name or another person's name.
8. When (i) a solicitation of an offer to acquire the Notes or (ii) an offer to sell or a solicitation of an offer to purchase the Notes (collectively, "**Solicitation of the Note Trade**") is made, the following matters shall be notified from the person who makes such Solicitation of the Note Trade to the person to whom such Solicitation of the Note Trade is made:
  - (a) no securities registration statement (pursuant to Article 4, Paragraphs 1 through 3 of the FIEA) has been filed with respect to the Solicitation of the Note Trade;
  - (b) the Notes fall, or will fall, under the Securities for Professional Investors (*Tokutei Toushika Muke*

*Yukashoken*) (as defined in Article 4, Paragraph 3 of the FIEA);

- (c) any acquisition or purchase of the Notes by such person pursuant to any Solicitation of the Note Trade is conditional upon such person (i) agreeing to comply with the restriction on transfer of the Notes as set forth in note 7 above, (in the case of a solicitation of an offer to acquire the Notes to be newly issued), or (ii) entering into an agreement providing for the restriction on transfer of the Instruments as set forth in note 7 above with the person making such Solicitation of the Note Trade (in the case of an offer to sell or a solicitation of an offer to purchase the Notes already issued);
  - (d) Article 4, Paragraphs 3, 5 and 6 of the FIEA will be applicable to such certain solicitation, offers and other activities with respect to the Notes as provided in Article 4, Paragraph 2 of the FIEA;
  - (e) the Specified Securities Information, Etc. (*Tokutei Shouken Tou Jouhou*) (as defined in Article 27-33 of the FIEA) with respect to the Notes and the Issuer Information, Etc. (*Hakkosha Tou Jouhou*) (as defined in Article 27-34 of the FIEA) with respect to the Issuer have been or will be made available for the Professional Investors, Etc. by way of such information being posted on the web-site maintained by the TOKYO PRO-BOND Market (<http://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html> or any successor website), in accordance with Rules 210 and 217 of the Special Regulations; and
  - (f) the Issuer Information, Etc. will be provided to the Noteholders or made public pursuant to Article 27-32 of the FIEA.
9. This Santander UK Group Holdings plc €30,000,000,000 Euro Medium Term Note Programme under the Base Prospectus dated 4 September 2015 (as supplemented) has been rated (i) (P)Baa2 (long-term senior unsecured), (P)Prime-2 (short-term) by Moody's Investors Service Limited ("**Moody's**"), (ii) BBB (senior unsecured debt maturing one year or more), A-2 (senior unsecured debt maturing less than one year) by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and (iii) A (long-term) and F-1 (short-term) by Fitch Ratings Ltd. ("**Fitch**"). Those credit rating firms have not been registered under Article 66-27 of the FIEA.

Unregistered credit rating firms are not subject to any supervision of the Financial Services Agency of Japan or regulations applicable to credit rating firms, including obligations to disclose information, nor obligated to publicize information regarding such matters as listed in Article 313, Paragraph 3, Item 3 of the Ordinance of the Cabinet Office Concerning Financial Instruments Business, Etc. (the "**Cabinet Office Ordinance**").

Moody's has Moody's Japan K.K. (registration number: Commissioner of Financial Services Agency (kakuzuke) No. 2), S&P has Standard & Poor's Ratings Japan K.K. (registration number: Commissioner of Financial Services Agency (kakuzuke) No. 5) and Fitch has Fitch Ratings Japan Limited (registration number: Commissioner of Financial Services Agency (kakuzuke) No. 7) within their respective groups as registered credit rating firms under Article 66-27 of the FIEA, and Moody's, S&P and Fitch are specified affiliated corporations (as defined in Article 116-3, Paragraph 2 of the Cabinet Office Ordinance) of the respective registered credit rating firms above. The assumptions, significance and limitations of the credit ratings given by Moody's, S&P and Fitch are made available on the respective websites of (i) Moody's Japan K.K., at "Assumptions, Significance and Limitations of Credit Ratings" posted under "Description of Unregistered Credit Ratings" in the column titled "Use of Ratings of Unregistered Firm" on the page appearing after clicking "Credit Rating Business" on Moody's website in the Japanese language ([https://www.moody.com/pages/default\\_ja.aspx](https://www.moody.com/pages/default_ja.aspx)), (ii) Standard & Poor's Ratings Japan K.K., at "Assumptions, Significance and Limits of Ratings" posted under "Information on Unregistered Credit Ratings" (<http://www.standardandpoors.co.jp/unregistered>) in the column titled "Library/Regulation" on its website ([http://www.standardandpoors.com/ja\\_JP/web/guest/home](http://www.standardandpoors.com/ja_JP/web/guest/home)), and (iii) Fitch Ratings Japan Limited, at "Assumptions, Significance and Limitations of Credit Ratings" posted under "Overview of Policies etc for Credit Rating" in the "Regulatory Affairs" section in the column titled "About Fitch" on the left bar on its website (<http://www.fitchratings.co.jp>), respectively, which are made available for the public on the Internet.

10. The selling restrictions set forth in notes 7 and 8 above shall prevail over those set forth in the section entitled "SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS – Japan" in the Base Prospectus dated 4 September 2015 included in this Program Information.
11. Copies of the documents incorporated by reference in the Base Prospectus dated 4 September 2015 and the supplements thereto are available for viewing at:  
<http://www.santander.co.uk/uk/about-santander-uk/investor-relations/santander-uk-group-holdings-plc>



## SANTANDER UK GROUP HOLDINGS PLC

(INCORPORATED IN ENGLAND WITH LIMITED LIABILITY, REGISTERED NUMBER 08700698)

€30,000,000,000

### EURO MEDIUM TERM NOTE PROGRAMME

Santander UK Group Holdings 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 €30,000,000,000 Euro Medium Term Note Programme (the "**Programme**"). The Notes issued under the Programme may comprise (i) unsubordinated Notes which rank as senior obligations of the Issuer ("**Senior Notes**") and (ii) Notes which are subordinated as described herein and have terms capable of qualifying as Tier 2 capital ("**Dated Subordinated Notes**"). This Prospectus 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 or, in the case of Exempt Notes (as defined below), the Pricing Supplement on or after the date of this Prospectus are issued subject to the provisions hereof. "**Final Terms**" means the terms set out in a Final Terms document substantially in the form set out in this Prospectus and "**Pricing Supplement**" means the terms set out in a Pricing Supplement document substantially in the form set out in this Prospectus. Accordingly, in the case of Exempt Notes, each reference in this Prospectus to information being specified or identified in the applicable Final Terms shall be read and construed as a reference to such information being specified or identified in the applicable Pricing Supplement unless the context requires otherwise.

This Prospectus has (other than in respect of Exempt Notes) 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 (other than Exempt 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**") for Notes (other than Exempt 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 (a "**Regulated Market**") for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**").

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Prospectus to "**Exempt Notes**" are to Notes for which no prospectus is required to be published under the Prospectus Directive. **The UK Listing Authority has neither approved nor reviewed information contained in this Prospectus in connection with Exempt Notes and such information shall not form part of the Base Prospectus approved by the UK Listing Authority.**

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 €30,000,000,000 (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 (other than in the case of Exempt Notes) 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**"). In the case of Exempt 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 Exempt Notes will be set out in the applicable Pricing Supplement.

The Programme provides that Notes may be listed on such other Regulated Market(s) as may be agreed between the Issuer and the relevant Dealer and specified in the Final Terms.

See "**Risk Factors**" (pages 15 to 69) for a discussion of factors which may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme 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. 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

**SANTANDER GLOBAL BANKING & MARKETS**

The date of this Prospectus is 4 September 2015.

In this document references to “**Santander UK**” are references to Santander UK plc and references to the “**Santander UK Group**” and the “**Group**” are references to the Issuer 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, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

**The Issuer accepts 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 Issuer (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 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 in connection with the Programme.**

**No person is or has been authorised by the Issuer 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, 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 or 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. 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, 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 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 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 of 1986 and the U.S. Treasury regulations promulgated thereunder.

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 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 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 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 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 and its 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 or any of its affiliates.

None of the Dealers, the Issuer 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 authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

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

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 "Rule 144A Notes") will be deemed, by its acceptance or purchase of any such Rule 144A 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 is not a reporting company 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.

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a company incorporated in England. With the exception of one director, all of its directors reside outside the United States and all or a substantial portion of the assets of the Issuer 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 to enforce judgments against it obtained in the United States predicated upon civil liabilities of the Issuer or such directors under laws other than English, including any judgment predicated upon United States federal securities laws. The Issuer has 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.

The Issuer maintains its financial books and records and prepares its financial statements in Sterling in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), including interpretations issued by the IFRS Interpretations Committee (“IFRIC”) of the IASB that, under European Regulations, are effective and available for early adoption at the Issuer’s reporting date. The Issuer has complied with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

## STABILISATION

In connection with the issue of any Tranche of Notes, one or more relevant Dealers (the “Stabilisation Manager(s)”) (or persons acting on behalf of any Stabilisation 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 Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may

**begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of 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 Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

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## 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 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 Issuer's Annual Report for the year ended 31 December 2014 (which include the audited consolidated annual financial statements of the Issuer), excluding the sections entitled "Risk factors" on pages 321 to 340 inclusive thereof and "Contact and other information" on page 341; and
- (2) the Issuer's Half Yearly Financial Report as at and for the six months ended 30 June 2015 (which includes the unaudited condensed consolidated interim financial statements of the Issuer), excluding the sections entitled "Risk factors" on page 136 and "Contact and other information" on page 137.

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 (2) above, are available for viewing at: <http://www.santander.co.uk/uk/about-santander-uk/investor-relations>.

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

The Issuer 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 has undertaken to the Dealers in the Programme Agreement (as defined in "*Subscription and Sale and Transfer and Selling Restrictions*" herein) that it will comply with section 87G of the UK Financial Services and Markets Act 2000 (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 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.*

<b>Issuer:</b>	Santander UK Group Holdings plc
<b>Description of Issuer:</b>	The Issuer is the immediate parent company of the Santander UK Group which provides financial services in the UK. The Issuer was incorporated in England and Wales in 2013. The Issuer forms part of the Banco Santander Group.
<b>Risk Factors:</b>	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. These are set out under “ <i>Risk Factors - Business Risk Factors</i> ” below and include, among others, risks concerning (i) the creditworthiness of the Issuer, (ii) general economic conditions, (iii) competition in the financial services industry, (iv) regulatory and legislative change and (v) operational risks. In addition, there are certain factors set out under “ <i>Risk Factors - Risks relating to the Notes</i> ” below which are material for the purpose of assessing the market risks associated with Notes issued under the Programme, including (i) there being no assurance that a trading market for the Notes will develop or be maintained, (ii) that the Notes may be redeemed prior to their maturity, (iii) the fact that the Notes are subject to certain transfer restrictions, (iv) that the Issuer might rely on paying agents and clearing systems, (v) the loss of all or part of a Noteholder’s anticipated return due, <i>inter alia</i> , to Notes bearing a fixed-to-floating (or floating-to-fixed) rate of interest, an inverse floating rate of interest, a capped or variable rate of interest or to payments of interest on Notes being determined by reference to a formula or other reference factor, as specified in the applicable Final Terms, (vi) the fact that the Issuer’s obligations under the Dated Subordinated Notes are subordinated, (vii) the fact that Noteholders may be required to absorb losses in the event the Issuer or the Group become non-viable and (viii) the fact that, upon the occurrence and continuation of a Regulatory Capital Event, the Issuer may, without the need for any consent of the Noteholders or the Trustee, redeem all (but not some only) of the Dated Subordinated Notes.
<b>Description:</b>	Euro Medium Term Note Programme

<b>Arranger:</b>	Banco Santander, S.A.
<b>Dealers:</b>	Banco Santander, S.A.  and any other Dealers appointed in accordance with the Programme Agreement.
<b>Certain Restrictions:</b>	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 " <i>Subscription and Sale and Transfer and Selling Restrictions</i> ").
<b>Trustee:</b>	Citicorp Trustee Company Limited
<b>Issuing and Principal Paying Agent:</b>	Citibank, N.A., London Branch
<b>Registrar:</b>	Citigroup Global Markets Deutschland AG
<b>Programme Size:</b>	Up to €30,000,000,000 (or its equivalent) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	The Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Any currency indicated in the applicable Final Terms.
<b>Maturities:</b>	Subject to any applicable legal or regulatory restrictions and the rules from time to time of any relevant central bank (or equivalent body), such maturity as indicated in the applicable Final Terms. Unless otherwise permitted by the prevailing Capital Rules, Dated Subordinated Notes will have a minimum maturity of five years.
<b>Issue Price:</b>	Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes:</b>	The Notes will be issued in bearer or registered (or inscribed) form as described in " <i>Form of the Notes</i> ". Notes issued in bearer form may also be issued in new global note (NGN) form. Registered Notes will not be exchangeable for Bearer Notes or <i>vice versa</i> .
<b>Fixed Rate Notes:</b>	Interest on Fixed Rate Notes will be payable on such date or dates as indicated in the applicable Final Terms and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

**Fixed Rate Reset Notes:** Fixed Rate Reset Notes will, in respect of an initial period, bear interest at the initial fixed rate of interest specified in the applicable Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the applicable Final Terms by reference to a Mid-Swap Rate, a Benchmark Gilt Rate or a Reference Bond Rate and for a period equal to the reset period, as adjusted for any applicable margin, in each case as may be specified in the applicable Final Terms. Interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

**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:** 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.



- Exempt Notes:** The Issuer may issue Exempt Notes. The Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the “*Terms and Conditions of the Notes*”, in which event the relevant provisions will be included in the applicable Pricing Supplement.
- 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, in the case of Dated Subordinated Notes, upon the occurrence of a Regulatory Capital Event) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders (other than the case of Dated Subordinated Notes) 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.
- Conditions to redemption of the Dated Subordinated Notes:** Any optional redemption or purchase by the Issuer of Dated Subordinated Notes is subject to the Issuer having obtained Regulatory Approval and the Issuer being in compliance with the Regulatory Preconditions.
- 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 (other than an Exempt 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 Rule 144A 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 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 Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank without preference among themselves. The Dated Subordinated Notes will constitute direct, subordinated and unsecured obligations of the Issuer

and will rank without preference among themselves.

- 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 (other than Exempt 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 Regulated Market(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 might 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 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 might not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer believes 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 relies on recruiting, retaining and developing appropriate senior management and skilled personnel*

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

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

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

Over the past seven years, financial systems worldwide have experienced difficult credit and liquidity conditions and disruptions leading to reduced liquidity, greater volatility (such as volatility in spreads) and, in some cases, a lack of price transparency on interbank lending rates. Uncertainties remain concerning the outlook and the future economic environment despite recent improvements in certain segments of the global economy, including the United Kingdom (the "UK"). There can be no assurance that economic conditions in these segments will continue to improve or that the global economic condition as a whole will improve significantly or at all. Such economic uncertainties could have a negative impact on the Group's business and

results of operations. The acute economic risks in the eurozone are being addressed by on-going policy initiatives, and the prospects for many of the European economies are improving. Investors remain cautious and a slowing or failing of the economic recovery would likely aggravate the adverse effects of difficult economic and market conditions on the Group and on others in the financial services industry.

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

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

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

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

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

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

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

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

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

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

*Exposure to UK political developments could have a material adverse effect on the Group*

Any significant changes in UK government policies or political structure could have an impact on the Group's business. In particular, the second half of 2014 saw increased debate around the UK's relationship with the European Union ("EU"), and following the general election in 2015, the UK government has proposed that it will hold a referendum on the UK's membership of the EU by 2017. The outcome of any future UK political developments, including but not limited to any changes in government structure and policies, could affect the fiscal, monetary and regulatory landscape to which the Group is subject and therefore no assurance can be given that the Group's operating results, financial condition and prospects would not be adversely impacted as a result.

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

The Group is subject to capital adequacy requirements applicable to banks and banking groups under directly applicable EU legislation and as adopted by the Prudential Regulation Authority (“**PRA**”) of the Bank of England. The Group is required to maintain a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets (instead of Core Tier 1 capital to risk weighted assets), Tier 1 capital to risk-weighted assets, total capital to risk-weighted assets and Tier 1 capital to total adjusted assets for leverage monitoring purposes. Any failure by the Group to maintain such ratios may result in administrative actions or sanctions; these could potentially include requirements on the Group to cease all or certain lines of new business, to raise new capital resources or, in certain circumstances, a requirement for the Group's existing capital instruments (potentially including the Group's debt securities) to be subjected to bail-in or write down (see the risk factor entitled “*Bail-in and write down powers under the Banking Act and the BRRD*” for further details).

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

The Capital Requirements Directive IV (“**CRD IV Directive**”) and the Capital Requirements Regulation (“**CRD IV Regulation**” and together with the CRD IV Directive, “**CRD IV**”) legislative package implemented the changes prepared by the Basel Committee on Banking Supervision (the “**Basel Committee**”) to the capital adequacy framework, known as “**Basel III**” in the European Union. The CRD IV Regulation is directly applicable in each member state of the European Union (each a “**Member State**”) and does not therefore require national implementing measures, whilst the CRD IV Directive must be implemented by Member States. CRD IV was published in the Official Journal on 27 June 2013 and came into effect on 1 January 2014, with particular requirements to be fully effective by 2019. CRD IV substantially reflects the Basel III capital and liquidity standards and facilitates the applicable implementation timeframes. On 19 December 2013, the PRA published its rules and supervisory statements associated with the implementation of CRD IV, which cover prudential rules for banks, building societies and investment firms. Certain issues, however, continue to remain under discussion and certain details remain to be clarified in further binding technical standards to be issued by the European Banking Authority, which creates uncertainty as to the final impact of CRD IV capital requirements on the Group.

The Financial Policy Committee of the Bank of England (“**FPC**”) set the counter-cyclical capital buffer rate at 0 per cent. from October 2014 and then subsequently announced on 16 December 2014 that the counter-cyclical buffer rate would remain at 0 per cent. and as of the

announcement on 26 March 2015, it remains at 0 per cent. The UK Government has stated that it intends that the FPC should also be able to require the PRA to impose additional specific capital requirements on banks to address risks to the UK market for banking services and the UK Government has indicated that it intends to provide the FPC with powers to direct the PRA to set leverage ratio requirements and buffers. The Bank of England, acting through the FPC, undertook a review of the leverage ratio during 2014, the results of which were published on 31 October 2014. The FPC recommended that it should have the power to direct the PRA to set (i) a minimum leverage ratio requirement; (ii) a supplementary leverage ratio buffer; and (iii) a counter-cyclical leverage ratio buffer and recommended that the PRA establish a supplementary leverage ratio buffer requirement for major domestic UK banks equal to 35 per cent. of each bank's risk-weighted systemic buffer. HM Treasury has consulted on draft legislation granting the FPC new powers of direction over the PRA in line with the FPC's recommendations and published a paper, dated January 2014, explaining the outcome of this consultation. The final scope of this framework, and the precise timing for its introduction, is currently unclear, however the FPC has recommended that its leverage ratio framework should be applied to systemically important institutions as soon as practicable, and to all other PRA-regulated firms in 2018, subject to a review of international progress in 2017. The FPC published a draft policy statement in February 2015 to be considered alongside Parliament's scrutiny of the associated secondary legislation. Action taken in the future by the FPC in exercise of any such powers could result in the regulatory capital requirements applied to the Group being increased.

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

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

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

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

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



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

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

As from 1 April 2013, the PRA, an independent subsidiary of the Bank of England, took over the responsibility for micro-prudential regulation of banks and certain other financial institutions from the FSA. The PRA currently operates its own liquidity rules based on the following elements:

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

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

Under CRD IV, banks will be required to meet two new liquidity standards, comprising the Liquidity Coverage Ratio (“**LCR**”) and the Net Stable Funding Ratio (“**NSFR**”) metrics, which are aimed to promote:

- the short-term resilience of banks’ liquidity risk profiles by ensuring they have sufficient high-quality liquid assets to survive a significant stress scenario; and
- a longer-term resilience by creating incentives for banks to fund their activities with more stable sources of funding on an on-going basis.

#### *LCR*

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

The LCR will be introduced in 2015 and the minimum requirement under CRD IV will begin at 60 per cent. on 1 October 2015, rising by 10 percentage points on each of 1 January 2016 and

1 January 2017 and by 20 percentage points to reach 100 per cent. on 1 January 2018. The PRA published a consultation on implementation of the liquidity rules in November 2014, which proposes that an 80 per cent. requirement should apply from October 2015, rising to 90% on 1 January 2017. This consultation closed on 27 February 2015. The PRA published a policy statement with feedback, final rules and a supervisory statement on 8 June 2015, which confirms the implementation of the minimum requirements in accordance with the consultation.

#### *NSFR*

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

There is a risk that implementing and maintaining existing and new liquidity requirements, such as through enhanced liquidity risk management systems, may incur significant costs, and more stringent requirements to hold liquid assets may materially affect the Group's lending business as more funds may be required to acquire or maintain a liquidity buffer, thereby reducing future profitability. This could in turn adversely impact the Group's operating results, financial condition and prospects.

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

Like many other UK banks, the Group's principal banking entity Santander UK invests in debt securities of the UK Government largely for liquidity purposes. As of 31 December 2014, approximately 1 per cent. of the Group's total assets and 22 per cent. of its securities portfolio were comprised of debt securities issued by the 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 economic and sovereign debt tensions in the eurozone*

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

There is currently no established legal or practical framework to facilitate a Member State's exit from the euro. Apart from the exit process, uncertainties that heighten the risk of redenomination include how an exiting Member State would deal with its existing euro-denominated assets and liabilities and the valuation of any newly-adopted currency against the euro. A break-up of the eurozone could be associated with a deterioration in the economic and

financial environment in the UK and could have a material adverse impact on the whole financial sector, creating new challenges in sovereign and corporate lending and resulting in significant disruptions in financial activities at both the market and retail levels. This could materially and adversely affect the Group's operating results, financial condition and prospects.

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

The high cost of capital for some European governments impacted the wholesale markets in the UK, which resulted in an increase in the cost of retail funding and greater competition in the savings market. In the absence of a permanent resolution of the eurozone crisis, conditions could deteriorate.

Although the Group conducts the majority of the Group's business in the UK, the Group 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.

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

The Group routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual funds, hedge funds and other institutional clients. Defaults by, and even rumours or questions about the solvency of certain financial institutions and the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by other institutions. Many of the routine transactions the Group enters into expose the Group to significant credit risk in the event of default by one of the Group's 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 the Group's obligations as they fall due or can secure them

only at excessive cost. This risk is inherent in any retail and commercial banking business as carried out by the Group and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. While the Group implements liquidity management processes to seek to mitigate and control these risks, unforeseen systemic market factors in particular make it difficult to eliminate completely these risks. Adverse constraints in the supply of liquidity, including inter-bank lending, which arose between 2009 and 2013, materially and adversely affected the cost of funding the Group's business, and extreme liquidity constraints may affect the Group's operations and limited growth. There can be no assurance that such constraints will not reoccur.

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 the Group.

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

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

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

In October 2013, the Bank of England updated its Sterling Monetary Framework to provide more transparent liquidity insurance support in exceptional circumstances. The Indexed Long-Term Repo Facility will now be available to support regular bank requirements for liquidity while the Discount Window Facility has been reinforced as support for banks experiencing idiosyncratic stress. The Collateralised Term Repo Facility will be made available to support markets in the event of a market wide liquidity stress.

The Bank of England and HM Treasury announced changes to the terms of the Funding for Lending Scheme ("**FLS**") on 28 November 2013 to re-focus its incentives in the revised scheme

towards supporting business lending in 2014. The FLS extension allowed participants to draw from the scheme from February 2014 until January 2015, but household lending in 2014 no longer generated any additional borrowing allowances as it did in the initial scheme. Instead, additional allowances only reflected lending to businesses in 2014. Any initial borrowing allowances in the FLS extension already earned by household and business lending in 2013 were unaffected. On 2 December 2014, the Bank of England and HM Treasury announced a further extension of the FLS to allow participants to borrow from the FLS until January 2016, with incentives to boost lending skewed towards small and medium sized enterprises. As at 31 December 2014, the Group had drawn £2.2bn of UK treasury bills under the FLS.

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 and/or wholesale markets. To the extent that the Group makes use of Bank of England facilities, any significant reduction or withdrawal of those facilities would increase the Group's funding costs.

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

The Group aims for a funding structure that is consistent with the Group's assets, avoids excessive reliance on short term wholesale funding, attracts enduring commercial deposits and provides diversification in products and tenor. The Group therefore relies, and will continue to rely, on commercial deposits to fund a significant proportion of lending activities. The ongoing availability of this type of funding is sensitive to a variety of factors outside the Group's control, such as general economic conditions and the confidence of commercial depositors in the economy, in general, and in the financial services industry, and the availability and extent of deposit guarantees, as well as competition between banks for deposits. 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 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.

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

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

In preparation for the eventual implementation of the UK banking structural reforms by UK regulators, the Issuer became the holding company of Santander UK on 10 January 2014 and is now intended to be the primary issuer of capital securities for the Group. Certain Group entities currently have external credit ratings. Any downgrade in the external credit ratings assigned to the Issuer, the Group or to the Group's debt securities could have an adverse impact on the Group. In particular, such downgrade in the Group's credit ratings could increase the Group's borrowing costs and could require the Group to post additional collateral or take other actions under some of the Group's derivative contracts, and could limit the Group's access to capital markets and adversely affect the Group's commercial business. For example, a credit rating downgrade could adversely affect the Group's ability to sell or market certain of the Group's products, engage in certain longer-term transactions and derivatives transactions and retain the Group's customers, particularly customers who need a minimum rating threshold in order to invest.

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

However, while certain potential impacts are contractual and quantifiable, the full consequences of a credit rating downgrade are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade, whether any downgrade of a firm's long-term credit rating precipitates downgrades to its short-term credit rating, and assumptions about the potential behaviours of various customers, investors and counterparties. Actual outflows could be higher or lower than this hypothetical example, depending upon certain factors including any management or restructuring actions that could be taken to reduce cash outflows and the potential liquidity impact from a loss of unsecured funding (such as from money market funds) or loss of secured funding capacity.

Although unsecured and secured funding stresses are included in the Group's stress testing scenarios and a portion of the Group's total liquid assets is held against these risks, it is still the case that a credit rating downgrade could have a material adverse effect on the Group. In

addition, if certain counterparties terminated derivative contracts with the Group, and the Group was unable to replace such contracts, the Group's market risk profile could be altered.

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

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 the Group's ability to secure funding. A UK sovereign credit rating downgrade or the perception that such a downgrade may occur could also have a material effect in depressing consumer confidence, restricting the availability, and increasing the cost, of funding for individuals and companies, further depressing economic activity, increasing unemployment and/or reducing asset prices.

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

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

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

- net interest income;
- the volume of loans originated;
- the market value of the Group's securities holdings;

- gains from sales of loans and securities; and
- gains and losses from derivatives.

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

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

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

The market value of a security with a fixed interest rate generally decreases when prevailing interest rates rise, which may have an adverse effect on the Group's earnings and financial condition. In addition, the Group may incur costs (which, in turn, will impact the Group's results) as the Group 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 pounds sterling and the Group does not fully hedge the Group's capital position against changes in currency exchange rates. Although the Group seeks to hedge most of the Group's currency risk, through hedging and purchase of cross-currency swaps, these hedges do not eliminate currency risk and the Group can make no assurance that the Group 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 the Group's ability to meet the Group's US dollar and euro-denominated obligations, and which could have a material adverse effect on the Group's operating results, financial condition and prospects.

The Group is also exposed to equity price risk in connection with the Group's trading investments in equity securities as part of the Group's normal course of business as a commercial bank. The performance of financial markets may cause changes in the value of the Group's investment and trading portfolios. The volatility of world equity markets, due to the



continued economic uncertainty and sovereign debt tensions, has had a particularly strong impact on the financial sector. 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, and could continue to result in, material changes to the estimated fair values of the Group's financial assets. Negative fair value adjustments could have a material adverse effect on the Group's operating results, financial condition and prospects*

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

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

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

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

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

In addition, the Group has refined the Group's 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 the Group's employees may not be able to effectively implement the Group's credit policies and guidelines due to limited tools available to the Group, which may increase the Group's credit risk. Failure to effectively implement, consistently 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 the Group.

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

Certain Group entities enter into derivative transactions for trading purposes as well as for hedging purposes. The Group is subject to various risks associated with these transactions, including market risk, operational risk, basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or counterparty risk (the risk of insolvency or other inability of the counterparty to a particular transaction to perform its obligations thereunder, including providing sufficient collateral).

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

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

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

### *Infrastructure and technology resilience*

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

### *Cyber security*

In particular, the Group has in recent years seen computer systems of companies and organisations being targeted, not only by cyber criminals, but also by activists and rogue states. The Group continues to face a host of cyber threats and as attempted attacks continue to evolve in scope and sophistication, the Group may incur significant costs in the Group's attempt to modify or enhance the Group's protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach. If the Group fails effectively to manage the Group's cyber security risk, e.g. by failing to update the Group's systems and processes in response to new threats, this could harm the Group's reputation and adversely affect the Group's operating results, financial condition and prospects.

### *Procedure and policy compliance*

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

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

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

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

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

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

The management of risk is an integral part of the Group's activities. The Group seeks to monitor and manage the Group's risk exposure through a variety of risk reporting systems. While the Group employs a broad and diversified set of risk monitoring and risk mitigation techniques, such techniques and strategies may not be fully effective in mitigating 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 the Group's use of observed historical market behaviour. The Group applies statistical and other tools to these observations to arrive at quantifications of the Group's risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the Group does not anticipate or correctly evaluate in the Group's statistical models. This would limit the Group's ability to manage the Group's risks. The Group's losses thus could be significantly greater than the historical measures indicate. In addition, the Group's quantified modelling does not take all risks into account. The Group's more qualitative approach to managing those risks could prove insufficient, exposing the Group to material, unanticipated losses. If existing or potential customers believe the Group's risk management is inadequate, they could take their business elsewhere. This could have a material adverse effect on the Group's operating results, financial condition and prospects.

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

The Group faces substantial competition in all parts of its business, including in originating loans and in attracting deposits. The competition in originating loans comes principally from other

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

The Group expects competition to intensify in response to consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors. In particular, the Independent Commission on Banking (the “**ICB**”), chaired by Sir John Vickers, recommended that steps be taken to increase competition in the personal and small business banking sector (including, for example, strengthening the objectives of the Financial Conduct Authority (the “**FCA**”) (as successor to the FSA) for the role of conduct supervision, such that it is obliged to regulate in a manner which promotes competition). On 19 December 2011, HM Treasury published its response to the ICB report, agreeing with the majority of the ICB’s recommendations. The Financial Services Act 2012 amended the FSMA with effect from 1 April 2013 to include in the FCA’s operational objectives the objective of promoting effective competition in the interests of consumers in the markets for regulated financial services. A strong political and regulatory will to foster consumer choice in retail financial services could lead to even greater competition in the UK personal and small business banking sectors. For further detail, see the risk factor entitled “*The Group is subject to substantial regulation and governmental oversight which could adversely affect the Group’s business and operations*”.

Increasing competition could require that the Group increases its rates offered on deposits or lower the rates it charges on loans, which could also have a material adverse effect on the Group, including the Group’s profitability. It may also negatively affect the Group’s business results and prospects by, among other things, limiting its ability to increase the Group’s 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 the Group’s activities or fail to attract new deposits or retain existing deposits, which could have a material adverse effect on the Group’s operating results, financial condition and prospects.

If financial markets remain unstable, financial institution consolidation may continue. 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 the Group’s operations. The Group also faces competition from non-bank competitors, such as supermarkets, department stores and technology firms, and generally from other loan or credit providers.

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

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

As the Group expands the range of the Group's products and services, some of which may be at an early stage of development in the UK market, the Group will be exposed to new and potentially increasingly complex risks, including conduct risk and development expenses. The Group's employees and risk management systems, as well as the Group's experience and that of the Group's partners, may not be sufficient or adequate to enable the Group to properly handle or manage such risks. In addition, the cost of developing products that are not launched is likely to affect the Group's operating results.

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

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

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

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

changes in the credit quality of the Group's borrowers and counterparties, a general deterioration in the UK or global economic conditions, the impact of political events, events affecting certain industries or events affecting financial markets and global economies.

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

If the Group's assessment of and expectations concerning the above mentioned factors differ from actual developments, if the quality of the Group's total loan portfolio deteriorates, for any reason, including the increase in lending to individuals and small and medium enterprises, the volume increase in the credit card portfolio and the introduction of new products or if the future actual losses exceed the Group's estimates of incurred losses, the Group may be required to increase the Group's loan loss reserves, which may adversely affect the Group. If the Group is unable to control or reduce the level of the Group's non-performing or poor credit quality loans, this could have a material adverse effect on the Group.

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

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

The Group's loan portfolio is subject to prepayment risk, which results from the ability of a borrower or issuer to pay a debt obligation prior to maturity. Generally, in a 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 the Group. The Group would also be required to amortise net premiums into income over a shorter period of time, thereby reducing the corresponding asset yield and net interest income. Prepayment risk also has a significant adverse impact on credit card and collateralised mortgage loans, since

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

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

The value of the collateral securing the Group's loan portfolio may significantly fluctuate or decline due to factors beyond its control, including macroeconomic factors affecting the UK's economy. The residential mortgage loan portfolio of Santander UK and its subsidiaries is one of Santander UK and its subsidiaries' principal assets, comprising 79 per cent. of Santander UK and its subsidiaries' loan portfolio as of 31 December 2014. As a result, the Group is highly exposed to developments in the residential property market in the UK.

The housing market performed stronger than anticipated in 2014, with an increase in both house prices and the volume of property transactions. However, these increases have not so far resulted in strong growth in net mortgage lending in the market. Any further increase in house prices may be limited by the high level of prices relative to household earnings given the continued weakness seen in real earnings growth. The depth of the previous house price declines as well as the continuing uncertainty as to the extent and sustainability of the UK economic recovery will mean that losses could be incurred on loans should they go into possession.

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

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

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

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

- manage efficiently the Group's operations and employees of expanding businesses;



- maintain or grow the Group's 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 the Group's strategy;
- align the Group's current information technology systems adequately with those of an enlarged group;
- apply the Group's risk management policy effectively to an enlarged group; and
- manage a growing number of entities without over-committing management or losing key personnel.

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

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

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

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

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

frequently if there are impairment indicators present, and comprises a comparison of the carrying amount of the cash-generating unit with its recoverable amount. Goodwill impairment does not however affect the Group's regulatory capital. Whilst no impairment of goodwill was recognised in 2013 or 2014, there can be no assurances that the Group will not have to write down the value attributed to goodwill in the future, which would adversely affect the Group's results and net assets.

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

#### *Supervision and new regulation*

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

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

Recent proposals and measures taken by governmental, tax and regulatory authorities and further future changes in supervision and regulation, in particular in the UK, which are beyond the Group's control, could materially affect the Group's business, the value of assets and operations and result in significant increases in operational costs. Products and services offered

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

### *Banking Reform*

On 18 December 2013, the Banking Reform Act was enacted. Among other things, the Banking Reform Act either directly, or through amendments to FSMA:

- provides HM Treasury and the PRA powers to implement the ICB recommendations including by introducing requirements for ring-fencing of core retail banking activities pursuant to which UK banks that undertake significant retail deposit taking activities (including the Group) will be required to place these deposit taking activities into a ring-fenced bank;
- introduces a Senior Managers Regime and Certification Regime, replacing the Approved Persons Regime established under FSMA (as amended by the Financial Services Act 2012);
- introduces a new criminal offence for reckless misconduct in the management of a bank;
- establishes a new Payment Systems Regulator; and
- amends the Banking Act 2009 (the "**Banking Act**") to include a bail-in stabilisation power forming part of the special resolution regime. For further information, see the risk factor entitled "*Bail-in and write-down powers under the Banking Act and the BRRD*".

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

Further detail on the potential risks posed by the Banking Reform Act can be found in the risk factors entitled “*The Banking Act may adversely affect the Group’s business*” and “*Bail-in and write-down powers under the Banking Act and the BRRD*”.

#### *European Structural Reform*

On 29 January 2014, the European Commission (the “**Commission**”) published proposals on structural measures to improve the resilience of EU credit institutions which included potential separation of certain trading activities from retail banking activities and a ban on proprietary trading. The proposal currently contemplates that Member States that have already implemented ring-fencing legislation, such as the UK, may apply for a derogation from the separation of trading activities provisions included in the proposals if they can satisfy the Commission that such local legislation meets the objectives and requirements set out in the EU proposal. On 7 January 2015, the European Parliament’s Committee on Economic and Monetary Affairs published a draft report proposing amendments to the Commission’s proposal, including a proposed removal of the derogation. The Commission proposal envisages that the draft Regulation will be adopted by June 2015 and that the separation requirements will become effective on 1 July 2018. The adoption of this proposal in its current, or in an amended, form may require further changes to the Group’s structure and business and could require the Group to modify the Group’s plans in connection with compliance with the Banking Reform Act.

#### *US Regulation*

In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”) enacted in 2010, has been implemented in part and continues to be implemented by various US federal regulatory agencies. The Dodd-Frank Act, among other things, imposes a new regulatory framework on swap transactions, including swaps of the sort that the Group enters into, requires regulators to adopt new rules governing the retention of credit risk by securitisers or originators of securitisations and significantly expands the coverage and scope of regulations that limit affiliate transactions within a banking organisation. Abbey National Treasury Services plc, a subsidiary of the Issuer, became provisionally registered as a swap dealer with the U.S. Commodity Futures Trading Commission on 4 November 2013. Although many significant regulations applicable to swap dealers are already in effect, some of the most important rules, such as margin requirements for uncleared swaps, have not yet been implemented and the Group continues to assess how compliance with these new rules will affect the Group’s business.

In October 2014, US regulators adopted a joint final rule requiring sponsors of asset-backed securitisation transactions, which would include Santander UK in relation to its residential mortgage-backed securities programmes, to retain 5 per cent. of the credit risk of the assets subject to the securitisation. At a general level, the rule permits sponsors to satisfy the risk retention requirement through the acquisition and retention of either 5 per cent. (measured by fair value) of the most subordinated interest in the securitisation, or 5 per cent. (measured by nominal value) of each tranche of interests issued by the securitisation, or some combination of the two. The rule also permits certain exceptions and methods of compliance in respect of specific types of asset-backed securities transactions. The final rule will take effect for residential mortgage-backed securities transactions on 24 December 2015, and on 24 December 2016 for other securitisation transactions.

Within the Dodd-Frank Act, the so-called Volcker Rule prohibits “banking entities”, including the Group, from engaging in certain forms of proprietary trading or from sponsoring or investing in certain covered funds, in each case subject to certain exemptions, including exemptions permitting foreign banking entities to engage in trading and fund activities that take place solely outside of the United States. The final rules contain exclusions and certain exemptions for market-making, hedging, underwriting, trading in US government and agency obligations as well as certain foreign government obligations, trading solely outside the US, and also permit ownership interests in certain types of funds to be retained. On 10 December 2013, the US bank regulators issued final regulations implementing the Volcker Rule, and the Federal Reserve also issued an order extending the conformance period for all banking entities until 21 July 2015. On 18 December 2014 the US Federal Reserve announced an additional extension of the conformance period that would give banking entities until 21 July 2016 to conform investments in and relationships with covered funds and foreign funds that may be subject to the Volcker Rule and that were in place prior to 31 December 2013, and additional extensions are possible. Banking entities must bring their activities and investments into compliance with the requirements of the Volcker Rule by the end of the applicable conformance period. The Group is assessing how the final implementing regulations for the Volcker Rule will affect the Group’s businesses and have been developing and implementing plans to bring affected businesses into compliance.

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

### *Competition*

In the UK and elsewhere, there is continuing political, competitive and regulatory scrutiny of the banking industry and, in particular, retail banking. Political involvement in the regulatory process, in the behaviour and governance of the UK banking sector and in the major financial institutions in which the UK Government has a direct financial interest is likely to continue. Under the Enterprise Regulatory Reform Act 2013 the Office of Fair Trading (“**OFT**”) and the Competition Commission were replaced by the Competition and Markets Authority (“**CMA**”) on 1 April 2014. The CMA is now the UK’s main competition authority responsible for ensuring that competition and markets work well for consumers. In addition, under the Banking Reform Act, as of 1 April 2015, the FCA has the power to enforce against breaches of the Competition Act 1998 and to refer markets to the CMA for in-depth investigation in the areas of financial services in the UK.

Following a market study and review, the CMA is currently undertaking a Market Investigation into competition in the personal current account and SME retail banking markets that has a statutory deadline of May 2016. Given the wide ranging powers available to the CMA, this investigation may result in significant industry-wide remedies. In addition, the FCA has recently undertaken, and is undertaking, a number of competition related studies and reviews. As of 1 April 2015, the Payments Systems Regulator also has an objective and powers equivalent to those of the FCA to promote competition in the payments industry. The resolution of a number of issues, including regulatory reforms, investigations and reviews and court cases, affecting the 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 has been reformed and reorganised and the Group is subject to any potential resulting uncertainty and changes to the UK regulatory regime in general*

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

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

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

*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*

#### *Mortgage Lending*

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

The final rules in relation to the FCA Mortgage Market Review ("**MMR**") came into force on 26 April 2014. These rules require a number of material changes to the mortgages sales process both in terms of advice provision in nearly all scenarios and significantly enhanced affordability assessment and evidencing. The new rules permit interest-only loans. However, there is a clear requirement for a clearly understood and credible strategy for repaying the capital (evidence of which the lender must obtain before making the loan).

The impact of the changes is now largely clear and in line with other lenders, the reforms presaged a period of significant change for the mortgage lending business requiring changes to

mortgage sales delivery systems, associated documentation and the risk assessment of prospective mortgage customers. Santander UK has implemented certain changes to implement the MMR requirements. However, there can be no assurance that it will not make any future changes to its mortgage lending business, whether as a result of the MMR or other mortgage lending reforms, and that such changes would not adversely affect it.

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

#### *Consumer Credit*

On 1 April 2014, consumer credit regulation (which includes regulation of new and existing second charge mortgages), was transferred from the OFT to the FCA in accordance with the provisions under the Financial Services Act 2012. Firms that held an OFT licence and had registered with the FCA by 31 March 2014, including Santander UK, have been granted an interim permission under the new regime and must apply to the FCA for full authorisation during an application period notified by the FCA. Under the new regime: (i) carrying on certain credit-related activities (including in relation to servicing credit agreements) otherwise than in accordance with permission from the FCA will render the credit agreement unenforceable without FCA approval; and (ii) the FCA has the power to make rules providing that contracts made in contravention of its rules on cost and duration of credit agreements, or in contravention of its product intervention rules, are unenforceable. If Santander UK is not granted full authorisation by the FCA, or if the FCA were to impose certain conditions attached to such authorisation, this could have an adverse effect on the Group’s operating results, financial condition and prospects.

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

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

Group to regulatory enforcement actions, fines and/or penalties. The current regulatory environment, with its increased supervisory focus and associated enforcement activity, combined with uncertainty about the evolution of the regulatory regime, may lead to material operational and compliance costs. These include the risk that:

- the Bank of England, the PRA and the FCA, HM Treasury, HM Revenue & Customs (“**HMRC**”), the CMA, the Information Commissioner’s Office, the Financial Ombudsman Service (“**FOS**”) or the courts, may determine that certain aspects of the Group’s business have not been or are not being conducted in accordance with applicable laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the FOS’s opinion;
- the alleged misselling of financial products, such as Payment Protection Insurance (“**PPI**”), including as a result of having sales practices and/or rewards structures that are deemed to have been inappropriate, results in enforcement action (including fines) or requires the Group to amend sales processes, withdraw products or provide restitution to affected customers, all of which may require additional provisions to be recorded in the Group’s financial statements and could adversely impact future revenues from affected products;
- the Group holds accounts for entities that might be or are subject to interest from various regulators, including the UK’s Serious Fraud Office, regulators in the US and elsewhere. The Group is not currently subject to any investigation into the Group as a result of any such enquiries, but cannot exclude the possibility of the Group’s conduct being reviewed as part of any such investigation; and
- the Group may be liable for damages to third parties harmed by the conduct of the Group’s business.

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

The FCA carries out regular and frequent reviews of the conduct of business by financial institutions including banks. An adverse finding by a regulator could result in the need for



extensive changes in systems and controls, business policies, and practices coupled with suspension of sales, withdrawal of services, customer redress, fines and reputational damage.

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

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

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

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

The regulatory regime requires the Group to be in compliance across all aspects of the Group's business, including the training, authorisation and supervision of personnel, systems, processes and documentation. If the Group fails to be compliant with relevant regulations, there is a risk of an adverse impact on the Group's business from sanctions, fines or other action imposed by the regulatory authorities. Customers of financial services institutions, including the Group's customers, may seek redress if they consider that they have suffered loss as a result of the mis-selling of a particular product, or through incorrect application of the terms and conditions of a particular product. Given the inherent unpredictability of litigation and the evolution of judgements by the FOS, it is possible that an adverse outcome in some matters could have a material adverse effect on the Group's operating results, financial condition and prospects arising from any penalties imposed or compensation awarded, together with the costs of defending such an action.

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

In recent years there have been several industry-wide issues in which the FSA (now the FCA) has intervened directly. One such issue is the mis-selling of PPI. In August 2010, the FSA published a policy statement entitled "The assessment and redress of Payment Protection Insurance complaints" (the "**Policy Statement**"). The Policy Statement contained rules which altered the basis on which regulated firms (including Santander UK and certain Group entities) must consider and deal with complaints in relation to the sale of PPI and potentially increased

the amount of compensation payable to customers whose complaints are upheld. A legal challenge of these rules by the British Bankers' Association was unsuccessful. In light of this and the consequential increase in claims levels, Santander UK performed a detailed review of its provision requirements in the first half of 2011 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. No additional provisions were made for PPI in 2012 or in 2013. In 2014, a total charge of £140m, including related costs, was made for further conduct remediation. Of this, £95m related to PPI, following a review of recent claims activity, which indicated that claims are now expected to continue for longer than originally anticipated. The FCA has announced that it will gather evidence on current trends in PPI to assess the current process for PPI complaints. It will consider whether any new intervention is necessary and report on the matter in the summer of 2015. The FCA is also considering the impact of the decision in *Plevin v Paragon Personal Finance Ltd* ("**Plevin**"), in which the Supreme Court ruled that a failure to disclose a large commission payment on a single premium PPI policy sold in connection with a secured personal loan made the relationship between the lender and the borrower unfair under section 140A of the Consumer Credit Act 1974. As a result, the FCA is considering whether additional rules and/or guidance are required to deal with the impact of the Plevin decision on complaints about PPI. The FCA has said that it expects to announce its views on this, including next steps, alongside the findings of its broader review. The FOS is also currently considering its position with respect to the impact of Plevin on PPI complaints. The Group is considering the impact of this decision on the Group's PPI complaint liabilities, although it is not possible to determine at this time the nature or extent of that impact.

Given the above, the ultimate financial impact on the Group of the claims arising from PPI complaints is still uncertain and will depend on a number of factors, including the implementation of the Policy Statement, the impact of the Supreme Court's decision in Plevin (including the nature and content of new FCA rules and/or guidance related to this decision, if any), the rate at which new complaints arise, the length of any complaints, the content and quality of the complaints (including the availability of supporting evidence) and the average uphold rates and redress costs. The Group can make no assurance that expenses associated with PPI complaints will not exceed the provision it has made relating to these claims. More generally, the Group can make no assurance that its estimates for potential liabilities, based on the key assumptions it used, are correct, and the reserves taken as a result may prove inadequate. If the Group were to incur additional expenses that exceed provisions for PPI liabilities or other provisions were to be incurred, these expenses could have a material adverse effect on the Group's operating results, financial condition and prospects. For further information about the provisions for PPI complaint liabilities and other conduct remediation see Note 24 to the Condensed Consolidated Interim Financial Statements on page 120 of the Half Yearly Financial Report as at and for the six months ended 30 June 2015.

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

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

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

*The Banking Act may adversely affect the Group’s business*

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

In addition, pursuant to recent amendments made to the Banking Act, which came into force on 1 August 2014, provision has been made for various tools to be used in respect of a wider range of UK entities, including investment firms and certain banking group companies, provided that certain conditions are met. Secondary legislation specifies that the Banking Act powers can be applied to investment firms that are required to hold initial capital of €730,000 or more and to certain UK incorporated non-bank companies in the Group.

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

Further, amendments to the Insolvency Act 1986 and secondary legislation have introduced changes to the treatment and ranking of certain debts with the result that certain eligible

deposits will rank in priority to the claims of ordinary (i.e. non-preferred) unsecured creditors in the event of an insolvency. This may negatively affect the ability of the Issuer to meet its obligations in respect of its unsecured creditors in an insolvency scenario.

*Bail-in and write down powers under the Banking Act and the BRRD*

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

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

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

The bail-in power under the Banking Act and the BRRD may potentially be exercised in respect of any unsecured debt securities issued by a financial institution under resolution or by a

relevant member of the Group, regardless of when they were issued. Accordingly, the bail-in power under the Banking Act and the BRRD could be exercised in respect of the Group's debt securities. The occurrence of circumstances in which bail-in powers would need to be exercised in respect of the Group would likely have a negative impact on the Group's business.

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

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

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

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

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

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

Following the default of a number of authorised financial services firms since 2008, the FSCS borrowed funds totalling approximately £18bn from HM Treasury to meet the compensation costs for customers of those firms. It is expected that the substantial majority of the principal will be repaid from funds the FSCS levies from asset sales, surplus cash flow or other recoveries in relation to assets of the firms that defaulted. However, the FSCS estimates that the assets of these failed institutions are insufficient and, to the extent that there remains a shortfall, is recovering this shortfall by levying firms authorised by the PRA or the FCA in instalments. The first instalment was in scheme year 2013/14, and Santander UK made a first capital contribution in August 2013. The second instalment was in scheme year 2014/15, and Santander UK made a second capital contribution in August 2014. For the year ended 31 December 2014, Santander UK charged £91m to the income statement in respect of the costs of the FSCS.

In the event that the FSCS raises further funds from authorised firms or increases the levies to be paid by such firms or the frequency at which the levies are to be paid, the associated cost to the relevant Group entity may have a material adverse effect on the Group's operating results, financial condition and prospects. The recent measures taken to protect the depositors of deposit-taking institutions involving the FSCS, such as the borrowing from HM Treasury mentioned above, have resulted in a significant increase in the levies made by the FSCS on the industry and such levies may continue to go up if similar measures are required to protect depositors of other institutions. In addition, following amendments to the preferred credit status of depositors that came into force on 31 December 2014, the FSCS stands in the place of depositors of a failing institution and has preferred status over an institution's other creditors.

In addition, regulatory reform initiatives in the UK and internationally may result in further changes to the FSCS, which could result in additional costs and risks for the Group. For instance, in July 2013, the Council of the European Union announced its intention that revisions to the EU Deposit Guarantee Scheme Directive should be adopted by the end of 2013. The recast EU Deposit Guarantee Scheme Directive (the "DGSD"), which was published in the Official Journal on 12 June 2014 and entered into force on 2 July 2014, introduced a tighter definition of deposits and includes a requirement that the Deposit Guarantee Scheme pay customers within a week and a requirement that banks must be able to provide information on the aggregated deposits of a depositor. These revisions are likely to affect the methodology employed by the FSCS for determining levies on institutions. In addition, the DGSD also requires Member States to ensure that by 3 July 2014 the available financial means of deposit guarantee schemes reach a minimum target level of 0.8 per cent. of the covered deposits of their members and requires deposit guarantee schemes to be ex-ante funded. In October 2014, the PRA published a consultation paper on the implementation of the DGSD. In its consultation paper, the PRA confirmed the UK Government's announced intention to use the existing bank levy to meet the ex-ante funding requirements in the DGSD. Changes as a result of this may affect the profitability of members of the Group required to contribute to the FSCS.

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

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

The Group is obligated to comply with applicable anti-money laundering (“**AML**”), anti-terrorism, sanctions and other laws and regulations in the jurisdictions in which the Group operates. These laws and regulations require the Group, among other things, to conduct full customer due diligence regarding sanctions and politically-exposed person screening, keep the Group's customer, account and transaction information up to date and have implemented effective financial crime policies and procedures detailing what is required from those responsible. The Group's requirements also include AML training for the Group's staff, reporting suspicious transactions and activity to appropriate law enforcement following full investigation by the Suspicious Activity Reporting Unit.

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

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

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

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

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

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

The following paragraphs discuss three major reforms (the 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 banking groups, including the Group.

*Bank Levy*

HM Treasury introduced an annual UK bank levy (the "**Bank Levy**") via legislation in the Finance Act 2011. The Bank Levy is imposed on (amongst other entities) UK banking groups and subsidiaries, and therefore applies to the Group. The amount of the Bank Levy is based on a bank's total liabilities, excluding (amongst other things) Tier 1 capital, insured retail deposits and repos secured on sovereign debt. A reduced rate is applied to longer-term liabilities. As part of the 2015 Budget, the rate of the Bank Levy was increased from 0.156 per cent. to 0.21 per cent. from 1 April 2015.

*FATCA*

Sections 1471 through 1474 of the US Internal Revenue Code of 1986 ("**FATCA**") impose a reporting regime and potentially a 30 per cent. 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; and (ii) is not otherwise exempt from or in deemed compliance with FATCA. The Issuer is classified as an FFI.

Final regulations implementing FATCA were issued in 2013. The reporting and withholding regime will be phased in over time. Withholding began on 1 July 2014 for certain payments from sources within the United States and it will begin on 1 January 2017 for payments of gross proceeds on assets that could generate US source dividend or interest and as early as 1 January 2017 for "foreign passthru payments" (a term not yet defined).

The United States and the UK have entered into an agreement for the implementation of FATCA (the "**US-UK IGA**") under which the Issuer will be treated as a Reporting Financial Institution (as defined therein). The Issuer does not anticipate that it will be required to deduct any tax under FATCA from payments on the securities that it issues. Each relevant Group entity subject to the US-UK IGA will, however, need to comply with certain due diligence and reporting requirements to HMRC. Holders of securities that the Group issues therefore may be required to provide



information and tax documentation, as well as that of their direct or indirect owners, and this information may be reported to the Commissioners for HMRC, and ultimately to the IRS. There can be no assurance that any such Group entity will be treated as a Reporting Financial Institution or that in the future the Group would not be required to deduct tax under FATCA from payments the Group makes on certain financial products.

Further, additional rules similar to FATCA have been implemented in other jurisdictions and the UK has entered into information sharing agreements based on FATCA with its Crown Dependencies and Overseas Territories. The Crown Dependency and Gibraltar agreements are reciprocal and will require UK Financial Institutions to identify customers who are tax residents of the Crown Dependencies and Gibraltar (and vice versa). The commencement date for these agreements was the same as for FATCA i.e., 1 July 2014.

Similarly, the Organisation for Economic Co-operation and Development (“**OECD**”) has developed a draft common reporting standard and model competent authority agreement to enable the multilateral, automatic exchange of financial account information. Under the OECD Common Reporting Standard (“**CRS**”) Financial Institutions will be required to identify and report the tax residence status of customers in the 90 plus countries that have endorsed the plans. Fifty-eight countries have committed to be early adopters going live in 2016, with first information exchanges expected by the end of September 2017. In December 2014, the European Union incorporated the CRS into a revised Directive on Administrative Cooperation (Council Directive 2014/107/EU amending Directive 2011/16/EU) (“**DAC**”) providing the CRS with a legal basis within the EU. EU Member States must adopt and publish legislation necessary to comply with the revised DAC by 31 December 2015, and must comply with the revised DAC’s provisions from 1 January 2016. The required systemic solutions to meet this multilateral context require significant lead times to build and implement.

Unlike FATCA, CRS does not include a potential withholding element. Therefore the Group’s main risks are reputational and commercial.

### *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 applies to certain transactions, referenced to, or in relation with, French listed shares where the relevant issuer’s stock market capitalisation exceeds one billion euro. The French Financial Transaction Tax rate is 0.2 per cent. 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**”). The Italian Financial Transaction Tax commenced on 1 March 2013 for transactions in Italian equity instruments and from 1 July 2013 for Italian equity derivatives. The Italian Financial Transaction Tax rate is between 0.2 per cent. and 0.1 per cent. of the sale price of the transaction.

On 14 February 2013, the Commission published a proposal (the “**Commission Proposal**”) for a Directive for a common system of financial transactions taxes (“**EU Financial Transaction Tax**” or “**FTT**”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal,

Slovenia and Slovakia (the “**Participating Member States**”). Under the Commission’s proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally it would apply to certain dealings in securities where at least one party to the transaction is a financial institution established in a Participating Member State. A financial institution may be, or may be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a Participating Member State or (ii) where the financial instrument which is subject to the dealings is issued in a Participating Member State. 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.

Joint statements issued in 2014 by the Participating Member States indicate an intention to implement the FTT by 1 January 2016. However, the FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation. Additional Member States may decide to participate. The Group is still assessing the proposals and the likely impact on the Group.

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

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

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

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

issue. The risk of a contribution notice being imposed may inhibit the Group's freedom to restructure or to undertake certain corporate activities.

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

Should the value of assets to liabilities in respect of the defined benefit schemes operated by Santander UK record a deficit, due to a reduction in the value of the pension fund assets (depending on the performance of financial markets) or an increase in the pension fund liabilities due to changes in mortality assumptions, the rate of increase of salaries, discount rate assumptions, inflation, the expected rate of return on plan assets, or other factors, could result in 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 its capital resources. While the Group can control a number of the above factors, there are some over which it has no or limited control. Although the trustees of the defined benefit pension schemes are obliged to consult with Santander UK before changing the pension schemes' investment strategy, the trustees have the final say and ultimate responsibility for investment strategy rests with them. The Group's principal defined pension scheme is the Santander (UK) Group Pension Scheme and its corporate trustee is Santander (UK) Group Pension Scheme Trustee Limited (the "**Pension Scheme Trustee**"), a wholly-owned subsidiary of Santander UK. As at 31 December 2014, the Pension Scheme Trustee had 14 directors, comprising seven Santander UK appointed directors and seven member-elected directors. Investment decisions are delegated by the Pension Scheme Trustee to a common investment fund, managed by Santander (CF) Trustee Limited, a private limited company owned by seven Pension Scheme Trustee directors, four appointed by Santander UK and three by the Pension Scheme Trustee. The Pension Scheme Trustee directors' principal duty, within the investment powers delegated to them, is to act in the best interest of the members of the Group Pension Scheme and not that of Santander UK. Any increase in the Group's pension liabilities and obligations could have a material adverse effect on the Group's operating results, financial condition and prospects.

The ongoing changes in the UK supervision and regulatory regime and particularly the implementation of the ICB's recommendations may require Santander UK to make changes to its structure and business which could have an impact on its pension schemes or liabilities. For a discussion of the ICB's recommendations, see the risk factor entitled "*The Group is subject to substantial regulation and governmental oversight which could adversely affect the Group's business and operations*".

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

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

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

The Group could suffer significant reputational harm if the Group fails to properly identify and manage potential conflicts of interest. Management of potential conflicts of interest has become increasingly complex as the Group expands the Group's business activities through more transactions, obligations and interests with and among the Group's 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 the Group. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to the Group.

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

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

The valuation of financial instruments measured at fair value can be subjective, in particular where models are used which include unobservable inputs. Given the uncertainty and subjectivity associated with valuing such instruments it is possible that the results of the Group's

operations and financial condition could be materially misstated if the estimates and assumptions used prove to be inaccurate.

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

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

Disclosure controls and procedures over financial reporting are designed to reasonably assure that information required to be disclosed by the Group entities, such as Santander UK and Abbey National Treasury Services plc, in reports filed or submitted under the Exchange Act is accumulated and communicated to management, and recorded, processed, summarised and reported within the time periods specified in the US Securities and Exchange Commission's rules and forms. The Group adopted the Committee of Sponsoring Organisations of the Treadway Commission internal control – integrated framework with effect from 15 December 2014, replacing the previous framework. The revised framework is designed to recognise the many changes in business and operating environments since the issuance of the original framework and is intended to broaden and enhance the application of controls over financial reporting.

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

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

*Changes in accounting standards could impact reported earnings*

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

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

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

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

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

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

*Different disclosure and accounting principles between the UK and the US may provide different or less information about the Issuer than expected*

There may be less publicly available information about the Issuer than is regularly published about companies in the US. Issuers of securities in the UK are required to make public disclosures that are different from, and that may be reported under presentations that are not consistent with, disclosures required in countries with a relatively more developed capital market, including the US. While the Issuer's subsidiaries Santander UK and Abbey National Treasury Services plc are subject to the periodic reporting requirements of the Exchange Act, the Group is not subject to the same disclosure requirements in the US as a domestic US registrant under the Exchange Act, including the requirements to prepare and issue quarterly reports, or the proxy rules applicable to domestic US registrants under Section 14 of the Exchange Act or the insider reporting and short-swing profit rules under Section 16 of the Exchange Act. Accordingly, the information about the Issuer available will not be the same as the information available to holders of securities of a US company and may be reported in a manner that is not familiar.

*Risks concerning enforcement of judgments made in the US*

The Issuer is a public limited company registered in England and Wales. With the exception of one director, all of the Issuer's directors live outside the US. As a result, it may not be possible

to serve process on such persons in the US or to enforce judgments obtained in US courts against them or the Issuer based on the civil liability provisions of the US federal securities laws or other laws of the US or any state thereof.

## **Risks relating to the Notes**

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

### *The Issuer 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 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;
- the creation of short positions in the Notes by market participants; 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 the 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 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 may rely on third parties and the Noteholders may be adversely affected if such third party fails to perform their obligations*

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

*The Issuer is a holding company and the Notes issued by it will be structurally subordinated to the claims of the creditors of its subsidiaries.*

The Issuer is a holding company that currently has no significant assets other than its investment in Santander UK and its other subsidiaries within the Group. As a holder of ordinary shares in such subsidiaries, the Issuer's right to participate in the assets of its subsidiaries in the event of a liquidation of a subsidiary will be subject to the prior claims of such subsidiary's creditors and preference shareholders. Accordingly, if any of the Issuer's subsidiaries were to be wound up, liquidated or dissolved, (i) the holders of the Notes would have no right to proceed against the assets of such a subsidiary, and (ii) the liquidator of the subsidiary would first apply the assets of the subsidiary to settle the claims of the creditors of such subsidiary before the Issuer would be entitled to receive any distributions.

The Issuer's obligation to make payments on the Notes issued by it is solely an obligation of the Issuer and will not be guaranteed by any of its subsidiaries.

In addition, as a holding company, the Issuer's ability to make payments depends entirely upon the receipt of dividends, distributions or advances from or repayment of any amounts lent to its subsidiaries. The ability of each subsidiary to pay dividends or such other amounts will be subject to their profitability, their financial condition, to applicable laws and regulations and to the evolution of their capital adequacy position.

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

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange

with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March, 2014, the Council of the European Union adopted a Council Directive (the “**Amending Directive**”) amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January, 2017, and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or legal arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January, 2017 in the case of Austria and from 1 January, 2016 in the case of all other Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

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 (provided that there is at least one such jurisdiction).

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

#### *FATCA*

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. However, the Issuer will be subject to certain due diligence and reporting requirements under the US-UK IGA and therefore holders of the Notes may be required to provide information and tax documentation regarding their identities, as well as that of their direct or indirect owners, and this information may be reported to the Commissioners for HMRC, and ultimately to the IRS. 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.

*A change in the governing law of the Notes may adversely affect Noteholders*

The “*Terms and Conditions of the Notes*” are based on English law in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes.

*The Terms and Conditions of the Notes may be modified and certain decisions regarding the Notes may be made without the knowledge and consent of individual Noteholders.*

The Trust Deed constituting the Notes contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Trust Deed constituting the Notes also provides that, subject to the prior consent of the Regulator being obtained (to the extent that such consent is required), the Trustee may (except as set out in the Trust Deed), without the consent of Noteholders, agree to certain modifications of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or to the substitution of another company as principal debtor under the Notes in place of the Issuer in the circumstances described in Condition 14.

**Risks relating to:***Senior Notes*

As described in the risk factor entitled “*Bail-in and write down powers under the Banking Act and the BRRD*” above, the BRRD bail-in power has been implemented in the UK. The UK bail-in power is an additional power available to the UK resolution authorities under the special resolution regime provided for in the Banking Act to enable them to recapitalise a failed institution by allocating losses to such institution’s shareholders and unsecured creditors subject to the rights of such shareholders and unsecured creditors to be compensated under a bail-in compensation order, which is based on the principle that such creditors should receive no less favourable treatment than they would have received had the bank entered into insolvency immediately before the coming into effect of the bail-in power. The bail-in power includes the power to cancel or write down (in whole or in part) certain liabilities or modify the terms of certain contracts for the purposes of reducing or deferring the liabilities of a UK bank entity under resolution and the power to convert certain liabilities from one form to another.

The Senior Notes are a liability which could be cancelled, written down (in whole or in part) or converted pursuant to the exercise of the bail-in power.

*Dated Subordinated Notes:*

*(i) The Dated Subordinated Notes are unsecured and subordinated obligations of the Issuer. On a winding-up of the Issuer, investors in the Dated Subordinated Notes may lose their entire investment in the Dated Subordinated Notes.*

The Issuer’s payment obligations under the Dated Subordinated Notes will be unsecured and will be subordinated in the event of the winding-up of the Issuer (other than an Approved Winding-up) or the appointment of an administrator of the Issuer where the administrator has given notice that it intends to declare and distribute a dividend and, in each case, will rank junior to the claims of creditors of the Issuer (a) who are unsubordinated creditors of the Issuer; or (b) who are subordinated creditors of the Issuer (other than those whose claims constitute, or would but for any applicable limitation on the amount of any such capital constitute, Tier 1 capital or Tier 2 capital or whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the holders of the Dated Subordinated Notes), and claims in respect of any subordinated indebtedness of the Issuer (other than indebtedness which ranks, or is expressed to rank, *pari passu* with or junior to the Dated Subordinated Notes). Accordingly, the assets of the Issuer would be applied first in satisfying all senior-ranking claims in full, and payments would be made to holders of the Dated Subordinated Notes, *pro rata* and proportionately with payments made to holders of any other *pari passu* instruments (if any), only if and to the extent that there are any assets remaining after satisfaction in full of all such senior-ranking claims. If the Issuer’s assets are insufficient to meet all its obligations to senior-ranking and *pari passu* creditors, the holders of the Dated Subordinated Notes will lose all or some of their investment in the Dated Subordinated Notes.

There is no restriction on the amount of securities which the Issuer may issue and which rank senior to, or *pari passu* with, the Dated Subordinated Notes and accordingly, the Issuer may at any time incur, issue further debt or securities which rank senior to, or *pari passu* with, the Dated Subordinated Notes. Consequently there can be no assurance that the current level of

senior or *pari passu* debt of the Issuer will not change. The issue of any such securities may reduce the amount (if any) recoverable by Noteholders on a winding-up or administration of the Issuer.

If the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound up or enter into administration, such circumstances can be expected to have a material adverse effect on the market price of the Dated Subordinated Notes. Investors in the Dated Subordinated Notes may find it difficult to sell their Dated Subordinated Notes in such circumstances, or may only be able to sell their Dated Subordinated Notes at a price which may be significantly lower than the price at which they purchased their Dated Subordinated Notes. In such a sale, investors may lose some or substantially all of their investment in the Dated Subordinated Notes, whether or not the Issuer is wound up or enters into administration.

Although the Dated Subordinated Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a real risk that an investor in the Dated Subordinated Notes will lose all or some of his investment should the Issuer become insolvent.

*(ii) Early redemption of the Dated Subordinated Notes is at all times at the discretion of the Issuer, and an investor may not be able to reinvest the redemption proceeds at as effective a rate of return as that in respect of the Dated Subordinated Notes.*

The Dated Subordinated Notes may, subject as provided in Condition 6, be redeemed before the Maturity Date at the sole discretion of the Issuer if an optional redemption right is specified in the applicable Final Terms, following a Tax Event or, if so specified in the applicable Final Terms, following a Regulatory Capital Event.

During any period when the Issuer may elect to redeem the Dated Subordinated Notes, the market value of the Dated Subordinated Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Dated Subordinated Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*(iii) The Dated Subordinated Notes contain limited events of default and the remedies available thereunder are limited.*

In accordance with the Regulator's requirements for Tier 2 capital, the only events of default under the Terms and Conditions of the Dated Subordinated Notes are (i) where there is a failure to pay principal or interest for a period of 14 days or more when it otherwise becomes due and payable or (ii) an order is made or a resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up).

The sole remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the "*Terms and Conditions of the Notes*") any Noteholder for recovery of amounts which have become due in respect of the Dated Subordinated Notes will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up and/or claiming in the liquidation of the Issuer. Otherwise, the

Trustee and the Noteholders may not take any further or other action to enforce, prove or claim any such payment, including, in the case of a failure to pay interest, any action to accelerate a repayment of the principal amount of the Dated Subordinated Notes.

If an order is made by the competent court or resolution passed for the winding-up of the Issuer (other than an Approved Winding-up), the Trustee at its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Dated Subordinated Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 9(b)(iv)), give notice to the Issuer (or, as applicable, the liquidator) that the Dated Subordinated Notes are, and they shall accordingly forthwith become, immediately due and repayable at the amount equal to their principal amount and any accrued and unpaid interest, and the claim in respect thereof will be subject to the subordination provided for in Condition 3(b).

*(iv) The Dated Subordinated Notes may be subject to statutory bail-in or write down powers under the Banking Act and the BRRD*

As described in the risk factor entitled “*Bail-in and write down powers under the Banking Act and the BRRD*” above, the BRRD bail-in power has been implemented in the UK. The UK bail-in power is an additional power available to the UK resolution authorities under the special resolution regime provided for in the Banking Act to enable them to recapitalise a failed institution by allocating losses to such institution’s shareholders and unsecured creditors subject to the rights of such shareholders and unsecured creditors to be compensated under a bail-in compensation order, which is based on the principle that such creditors should receive no less favourable treatment than they would have received had the bank entered into insolvency immediately before the coming into effect of the bail-in power. The bail-in power includes the power to cancel or write down (in whole or in part) certain liabilities or modify the terms of certain contracts for the purposes of reducing or deferring the liabilities of a UK bank entity under resolution and the power to convert certain liabilities from one form to another.

The Dated Subordinated Notes are a liability which could be cancelled, written down (in whole or in part) or converted pursuant to the exercise of the bail-in power. In accordance with the insolvency treatment principles described in the risk factor entitled “*Bail-in and write down powers under the Banking Act and the BRRD*” above, the Dated Subordinated Notes would be amongst the first of the Issuer’s obligations to bear losses through write-down or conversion to equity pursuant to the exercise of the bail-in power because in the event of the insolvency of the Issuer, the claims in respect of the Dated Subordinated Notes would rank behind all other claims other than claims in respect of Junior Securities.

The BRRD also contains a mandatory write down power which requires Member States to grant powers to resolution authorities to recapitalise institutions and/or their European Economic Area parent holding companies that are in severe financial difficulty or at the point of non-viability by permanently writing down, *inter alia*, capital instruments such as the Dated Subordinated Notes, or converting those capital instruments into shares. The mandatory write down provision has been implemented in the UK through the Banking Act, and would apply to the Dated Subordinated Notes. Before taking any form of resolution action or applying any resolution power set out in BRRD, the UK resolution authorities have the power (and are obliged when specified conditions are determined to have been met) to write down, or convert capital instruments such as the Dated Subordinated Notes into common equity tier 1 capital

instruments before, or simultaneously with, the entry into resolution of the relevant entity. These measures could be applied to the Dated Subordinated Notes.

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

Furthermore, if the Dated Subordinated Notes were to be converted into equity securities by application of the mandatory write-down tool, those equity securities may be subjected to the bail-in powers in resolution, resulting in their cancellation, significant dilution or transfer away from the investors therein.

#### *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.

#### *Fixed Rate Reset Notes*

Fixed Rate Reset Notes will initially bear interest at the Initial Rate of Interest until (but excluding) the First Reset Date. On the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of (i) the applicable Mid-Swap Rate, Benchmark Gilt Rate or Reference Bond Rate and (ii) the First Margin or Subsequent Margin (as applicable) as determined by the Calculation Agent on the relevant Reset Determination Date (each such interest rate, a "**Subsequent Reset Rate**"). The Subsequent Reset Rate for any Reset Period could be less than the Initial Rate of Interest or the Subsequent Reset Rate for prior Reset Periods and could affect the market value of an investment in the Reset 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*

Bearer Notes having an original maturity of more than 365 days 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 a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder.

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 Bearer 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 Bearer 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 Bearer Global Notes issued in respect of any Tranche are in NGN form, the relevant clearing system(s) will be notified whether or not such Bearer Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Bearer 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.

### *Exchange*

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.

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.

The exchange of a Permanent Bearer Global Note for definitive Bearer Notes upon notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) should not be expressed to be applicable in the applicable Final Terms if the Bearer Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Bearer Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for definitive Bearer Notes.

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 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 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.

#### *Payments*

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 above) will be made against presentation of the Temporary Bearer Global Note (if the Temporary Bearer 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.

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 Bearer Global Note is not intended to be issued in NGN form) without any requirement for certification.

#### *Legends Concerning United States Persons*

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 of 1986 and the U.S. Treasury regulations promulgated thereunder.

### *Transfers*

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 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**” and, together with any Notes issued in registered form in exchange or substitution therefore, the “**Regulation S Notes**”) which will be deposited with a common depository, common safekeeper or depository, as the case may be, for, and registered in the name of a common nominee or nominee of, Euroclear and Clearstream, Luxembourg or such other clearing system as may be agreed between the 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.

### *Exchange*

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.

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 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 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.

#### *Payments*

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 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.

### *Transfers*

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

All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes set out in Schedule 4 to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee, the Registrar and the Transfer Agent. A copy of the current regulations will be made available for inspection during usual business hours and upon reasonable notice at the principal office of the Trustee and at the Specified Office of each of the Paying Agents.

### *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 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 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 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 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 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 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 which are not Exempt Notes and which are 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.**

### SANTANDER UK GROUP HOLDINGS PLC

**Issue of [Nominal Amount of Tranche] [Title of Notes]  
under the €30,000,000,000  
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 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 supplements] to it] [has / have] been published on the website <http://www.aboutsantander.co.uk/investors.aspx>.]

1. Issuer: Santander UK Group Holdings 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 with [ ] on [the Issue Date/exchange of the Series: Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in paragraph 24 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(xv)/16(vi)/17(iii)/18(iii)] below]/[Interest Payment Date falling in or nearest to [ ]]
9. Interest Basis:
- [[ ] per cent. Fixed Rate]  
 [Fixed Rate Reset]  
 [[[ ] 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: EONIA Linked Interest]  
 [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: EONIA  
 Linked Interest]/[Floating Rate: CMS Linked  
 Interest]]  
 (See paragraph[s] [11/14/15/16/17/18/19]  
 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 [14/15/16/18/19] below)/[Not Applicable]]
12. Put/Call Options: [Investor Put]  
 [Issuer Call]  
 [Regulatory Capital Event Call]  
 [(See paragraph[s] [20/21/22] below)]  
 [Not Applicable]
13. (i) Status of the Notes: [Senior/Dated Subordinated]
- (ii) Date of [Board] approval for issuance of Notes obtained: [[ ]]/[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. Fixed Rate Reset Note Provisions [Applicable/Not Applicable] [Applicable in respect of the period from [the Interest Commencement Date]/ [ ]to[ ]]
- (i) Initial Rate of Interest: [ ] per cent. per annum
- (ii) First Margin: [ ] per cent. per annum
- (iii) Subsequent Margin: [ ] per cent. per annum
- (iv) 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 15(xv) 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**”).]

- |        |  |   |
|--------|--|---|
| (v)    | Fixed Coupon Amount(s) in respect of definitive Fixed Rate Reset Notes in respect of the period from (and including) [the Interest Commencement Date]/[ ] to (but excluding) the First Reset Date: | [ ] per Calculation Amount  |
| (vi)   | Broken Amount(s) in respect of definitive Fixed Rate Reset Notes:  | [In respect of the Stub Period, [ ] per Calculation Amount, payable on the Interest Payment Date falling on [ ]/[Not Applicable]  |
| (vii)  | First Reset Date:  | [ ]   |
| (viii) | Second Reset Date:   | [ ]/[Not Applicable]  |
| (ix)   | Subsequent Reset Date[(s)]:  | [ ]/[Not Applicable]  |
| (x)    | Reset Rate:  | [Mid-Swap Rate/Benchmark Gilt Rate/Reference Bond]  |
| (xi)   | Relevant Screen Page:  | [ ]/[Not Applicable]  |
| (xii)  | Mid-Swap Rate:   | [Single Mid-Swap Rate/Mean Mid-Swap Rate]/[Not Applicable]  |
| (xiii) | Mid-Swap Maturity:   | [ ] / [Not Applicable]  |
| (xiv)  | Day Count Fraction   | [Actual/Actual (ISDA)<br>Actual/Actual (ICMA)<br>Actual/365 (Fixed)<br>Actual/360<br>[30/360]/[360/360]/[Bond Basis]<br>30E/360<br>30E/360 (ISDA)<br>RBA Bond Basis]<br>[adjusted/unadjusted] |
| (xv)   | Determination Time:  | [ ]/[Not Applicable]  |

- (xvi) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (xvii) Relevant Currency: [ ]/[Not Applicable]
- (xviii) Business Day(s): [ ]  
Additional Business Centre(s): [ ]
16. 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/  
 EONIA/ 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]
		<ul style="list-style-type: none"> <li>- Floating Rate Option 1: [ ]</li> <li>- Designated Maturity 1: [ ]</li> <li>- Reset Date 1: [ ] [ ], subject to adjustment in accordance with the Reset Date Business Day Convention referred to in (E) below]</li> <li>- Floating Rate Option 2: [ ]</li> <li>- Designated Maturity 2: [ ]</li> <li>- Reset Date 2: [ ] [ ], subject to adjustment in accordance with the Reset Date Business Day Convention referred to in (E) below]</li> </ul>
(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]
17.	Zero Coupon/Discount Note	[Applicable/Not Applicable]



	Provisions	
	(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]
18.	Variable Interest Note Provisions	[Applicable/Not Applicable]
	(i) Accrual Interest Rate(s):	[[ ] per cent. Fixed Rate] [[[ ] LIBOR/EURIBOR/HIBOR/SIBOR] +/- [ ] per cent. Floating Rate] [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]/  
[EONIA]/[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): [ ]
- (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]
19. Convertible Interest Basis Provisions: [Applicable/Not Applicable]
- (i) First Interest Basis: [[Fixed Rate/Floating Rate/Variable Interest] in accordance with paragraph [14/16/18] above and Condition 4(d)]
- (ii) Second Interest Basis: [[Fixed Rate/Floating Rate/Variable Interest] [in accordance with paragraph [14/16/18] above and Condition 4(d)]
- (iii) Interest Basis Conversion Date: [ ] [subject to adjustment in accordance with the Business Day Convention][subject to no adjustment]

#### PROVISIONS RELATING TO REDEMPTION

20. 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]
21. Regulatory Capital Event Call [Applicable/Not Applicable]
22. 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]
23. 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

24. 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 depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg])/Rule 144A Global Note[s] ([ ] of the Nominal Amount) registered in the name of a nominee for DTC]

- 25. New Global Note: [Yes/No]
- 26. Calculation Agent: [ ]/[Not Applicable]
- 27. Determination Agent: [ ]/[Not Applicable]
- 28. U.S. Selling Restrictions: [Reg. S. Compliance Category 2; TEFRA D/TEFRA C/TEFRA/Not Applicable; Rule 144A]

Signed on behalf of the Issuer:

By: .....  
*Duly authorised for and on behalf of the Issuer*

**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 [Regulated Market] and listing on [official list of competent authority of Regulated Market] 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 its 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 [[ ]/Not Applicable] Euroclear Bank S.A./N.V. and Clearstream [ ]

Banking, société anonyme  
and the relevant  
identification number(s):

- (v) Delivery: Delivery [against/free of] payment [ ]
- (vi) Names and addresses of additional Paying Agent(s) [ ]  
(if any):

**6. U.S. TAX INFORMATION (144A OFFERINGS ONLY)**

- (i) Original Issue Discount: [Yes/No]
- (ii) Contingent Payment Debt Instrument: [Yes/No]
- (iii) Intended U.S. Tax Characterisation: [Debt/equity]

## FORM OF PRICING SUPPLEMENT

*Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes issued under the Programme (whatever their denomination) pursuant to this Prospectus.*

[Date]

**NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC AS AMENDED FOR THE ISSUE OF NOTES DESCRIBED BELOW. THE UK LISTING AUTHORITY HAS NEITHER APPROVED NOR REVIEWED THIS PRICING SUPPLEMENT AND THIS PRICING SUPPLEMENT SHALL NOT FORM PART OF THE BASE PROSPECTUS APPROVED BY THE UK LISTING AUTHORITY.**

**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.**

### SANTANDER UK GROUP HOLDINGS PLC

**Issue of [Nominal Amount of Tranche] [Title of Notes]  
under the €30,000,000,000  
Euro Medium Term Note Programme**

### PART A - CONTRACTUAL TERMS

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Prospectus dated [ ] [and the supplement[s] to it dated [ ]] (the “**Prospectus**”). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Prospectus. Copies of the Prospectus may be obtained from <http://www.aboutsantander.co.uk/investors.aspx>.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus.

1. Issuer: Santander UK Group Holdings 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 Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in paragraph 24 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(xv)/16(vi)/17(iii)/18(iii)] below]/[Interest Payment Date falling in or nearest to [ ]]
9. Interest Basis: [ ] per cent. Fixed Rate][Fixed Rate Reset] [[ ] month [ ]LIBOR/EURIBOR/HIBOR/SIBOR/specify other] +/- [ ] per cent. Floating Rate] [ ] per cent. minus [[ ] month [ ]LIBOR/EURIBOR/HIBOR/SIBOR/specify other] Inverse Floating Rate] [ ] x [ ] month [[ ]LIBOR/EURIBOR/HIBOR/SIBOR/specify other] Leveraged Floating Rate] [ ] per cent. minus ([[ ] x [ ] month [[ ] LIBOR/EURIBOR/HIBOR/SIBOR/specify other]) Leveraged Inverse Floating Rate] [Zero Coupon/Discount] [Floating Rate: EONIA Linked Interest] [Floating Rate: CMS Linked Interest] [Variable Interest]

- [Convertible Interest Basis]  
 [specify other]  
 [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/ specify other] +/- [ ] per cent. Floating Rate]/[ ] per cent. minus [ ] month [ ]LIBOR/EURIBOR/HIBOR/SIBOR/specify other] Inverse Floating Rate]/ [ ] x [ ] month [ ]LIBOR/EURIBOR/HIBOR/ SIBOR/specify other] Leveraged Floating Rate]/[ ] per cent. minus ([ ] x [ ] month [ ]LIBOR/EURIBOR/HIBOR/SIBOR/specify other]) Leveraged Inverse Floating Rate]/[Floating Rate: EONIA Linked Interest]/[Floating Rate: CMS Linked Interest]] [specify other]  
 (See paragraph[s] [11/14/15/16/17/18/19] 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 [14/15/16/18/19] below)]/[Not Applicable]
12. Put/Call Options: [Investor Put]  
 [Issuer Call]  
 [Regulatory Capital Call Event]  
 [(See paragraph[s] [20/21/22] below)]  
 [Not Applicable]
13. (i) Status of the Notes: [Senior/Dated Subordinated]
- (ii) Date of [Board] approval for issuance of Notes obtained: [[ ]]/[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/*specify other*]
- (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/*specify other*]  
[adjusted/unadjusted]
- (viii) Determination Date(s): [[ ] in each year]/[Not Applicable]
- (ix) Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes: [None/*Give details*]

15. Fixed Rate Reset Note Provisions [Applicable/Not Applicable] [Applicable in respect of the period from [the Interest Commencement Date]/[ ]to[ ]]
- (i) Initial Rate of Interest: [ ] per cent. per annum
- (ii) First Margin: [ ] per cent. per annum
- (iii) Subsequent Margin: [ ] per cent. per annum
- (iv) 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 15(xv) 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**”).]
- (v) Fixed Coupon Amount(s) in respect of definitive Fixed Rate Reset Notes in respect of the period from (and including) [the Interest Commencement Date]/[ ] to (but excluding) the First Reset Date: [ ] per Calculation Amount
- (vi) Broken Amount(s) in respect of definitive Fixed Rate Reset Notes: [In respect of the Stub Period, [ ] per Calculation Amount, payable on the Interest Payment Date falling on [ ]]/[Not Applicable]
- (vii) First Reset Date: [ ]
- (viii) Second Reset Date: [ ]/[Not Applicable]
- (ix) Subsequent Reset Date[(s)]: [ ]/[Not Applicable]
- (x) Reset Rate: [Mid-Swap Rate/Benchmark Gilt Rate/Reference Bond]

(xi)	Relevant Screen Page:	[ ]/[Not Applicable]
(xii)	Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate][Not Applicable]
(xiii)	Mid-Swap Maturity:	[ ] / [Not Applicable]
(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) RBA Bond Basis [adjusted/unadjusted]
(xv)	Determination Time:	[ ]/[Not Applicable]
(xvi)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(xvii)	Relevant Currency:	[ ]/[Not Applicable]
(xviii)	Business Day(s): Additional Business Centre(s):	[ ] [ ]
16.	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/*specify other*]
- (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/*specify other*]
- (ix) Screen Rate Determination:
- (A) Reference Rate:  [ month  LIBOR/EURIBOR/HIBOR/SIBOR]/ [EONIA]/ [CMS Reference Rate/*specify other*]
- (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/*specify other*]/ [Not Applicable]
- Relevant Screen Page 1:  []/ [Not Applicable]
- Reference Rate 2:  [ month

LIBOR/EURIBOR/HIBOR/SIBOR/specify other]/[Not Applicable]

- Relevant Screen Page 2: [ ]/[Not Applicable] ]/[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/ <i>specify other</i> ]                                 |
|     | (xi) Margin(s):  | [[plus/minus] [ ] per cent. per annum]<br>[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)<br>Actual/Actual (ICMA)<br>Actual/365 (Fixed)<br>Actual/360<br>[30/360][360/360][Bond Basis]<br>30E/360<br>30E/360 (ISDA)<br><i>specify other</i><br>[adjusted/unadjusted] |
|     | (xv) Determination Date(s):  | [[ ] in each year]/[Not Applicable]  |
|     | (ix) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions: | [ ]  |
| 17. | 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)   
 *specify other*   
 [adjusted/unadjusted]
- (vi) Any other formula/basis of determining amount payable for Zero Coupon/Discount Notes which are Exempt Notes:
18. Variable Interest Note Provisions  [Applicable/Not Applicable]
- (i) Accrual Interest Rate(s):  [ ] per cent. Fixed Rate]   
 [[LIBOR/EURIBOR/HIBOR/SIBOR/*specify other*] +/- [ ] per cent. Floating Rate]   
 [*specify other*]   
 [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/*specify other*]/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/*specify other*]
  - (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/*specify other*]
  - (iv) Business Day: Additional Business Centre(s): [ ]
  - (v) Day Count Fraction: [ ]
  - (vi) Determination Date(s): [Actual/Actual (ISDA)  
Actual/Actual (ICMA)  
Actual/365 (Fixed)  
30/360  
30E/360  
30E/360 (ISDA)  
*specify other*  
[adjusted/unadjusted]
  - (vii) Underlying Reference Rate: [[ ] in each year]/[Not Applicable]  
[[ ] month [ ]  
LIBOR/EURIBOR/HIBOR/SIBOR/*specify other*]/[EONIA]/[CMS Reference Rate]/*specify other*
- 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]
- (xii) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Variable Interest Notes which are Exempt Notes, if different from those set out in the Conditions: [ ]
19. Convertible Interest Basis Provisions: [Applicable/Not Applicable]
- (i) First Interest Basis: [[Fixed Rate/Floating Rate/Variable Interest] in accordance with paragraph [14/16/18] above and Condition 4(d)]
  - (ii) Second Interest Basis: [[Fixed Rate/Floating Rate/Variable Interest] [in accordance with paragraph [14/16/18] above and Condition 4(d)]
  - (iii) Interest Basis Conversion [ ] [subject to adjustment in accordance with the Business Day Convention][subject to no

Date: adjustment]

**PROVISIONS RELATING TO REDEMPTION**

20.	Issuer Call	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[ ]
	(ii) Optional Redemption Amount(s) and method of calculation of such amount(s) (if applicable):	[[ [ ] 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)/specify other/see Annex]
	(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]
21.	Regulatory Capital Event Call	[Applicable/Not Applicable]
22.	Investor Put	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[ ]
	(ii) Optional Redemption Amount(s) and method of calculation of such amount(s) (if applicable):	[[[ ] 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) specify other/see Annex]
	(iii) Notice periods:	Minimum period: [ ] [calendar days]/[Business Days]

Maximum period: [ ] [calendar days]/[Business Days]

23. 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)/specify other/see Annex]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. 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 depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg])/Rule 144A Global Note[s] ([ ] of the Nominal Amount) registered in the name of a nominee for DTC]
25. New Global Note: [Yes/No]
26. Calculation Agent: [ ]/[Not Applicable]
27. Determination Agent: [ ]/[Not Applicable]

28. U.S. Selling Restrictions: [Reg. S. Compliance Category 2; TEFRA D/TEFRA C/TEFRA/Not Applicable; Rule 144A]

29. Other terms or special conditions: [Not Applicable/*give details*]

Signed on behalf of the Issuer:

By: .....  
*Duly authorised for and on behalf of the Issuer*

## PART B - OTHER INFORMATION

### 1. LISTING [Not Applicable/*give details*]

[Not Applicable][Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [specify market - note this should not be a regulated market] with effect from [ ].]

### 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 its 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): [ ]
- (vii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is held under the New Safekeeping Structure for registered global securities,] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/
- [No. Whilst the designation is specified as “no” at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is held under the New Safekeeping Structure for registered global securities]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## 6. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]



- (iii) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
- (iv) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (v) Additional selling restrictions: [Not Applicable/*give details*]

**7. U.S. TAX INFORMATION (144A OFFERINGS ONLY)**

- (i) Original Issue Discount: [Yes/No]
- (ii) Contingent Payment Debt Instrument: [Yes/No]
- (iii) Intended U.S. Tax Characterisation: [Debt/equity]

## 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 Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. 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 "Form of Final Terms" (or, in the case of a Tranche of Exempt Notes, to "Form of Pricing Supplement") for a description of the content of the applicable Final Terms (or Pricing Supplement, as applicable) which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Santander UK Group Holdings plc (the "**Issuer**") constituted by a Trust Deed dated 4 September 2015 (the "**Trust Deed**") and made between *inter alios* the Issuer and Citicorp Trustee Company Limited (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 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 4 September 2015 (the "**Agency Agreement**") whereby the Issuer appoints Citibank, N.A., London Branch 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 such Transfer Agents, the Principal Paying Agent, the other Paying Agents and the Registrar being together referred to as the "**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 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 final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions or, if this Note is a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an “**Exempt Note**”), the final terms (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the “applicable Final Terms” are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. Any reference in the Conditions to “applicable Final Terms” shall be deemed to include a reference to “applicable Pricing Supplement” where relevant. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in a relevant Member State of the European Union.

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 Principal Paying Agent. 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 by a Noteholder upon such Noteholder producing evidence satisfactory to the Trustee and the Principal Paying Agent 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 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 an EONIA Linked Interest Note or 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, a combination of any of the foregoing or a Fixed Rate Reset Note, 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 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 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 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 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 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 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(d), (e) and (f) 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.

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.

**(c) 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.

**(d) 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.

**(e) Transfers of interests in Regulation S 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 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 Rule 144A 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.

**(f) Transfers of interests in Rule 144A Notes**

Transfers of Rule 144A Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S 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; or

- (ii) to a transferee who takes delivery of such interest through a Rule 144A 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 Rule 144A Notes, or upon specific request for removal of any United States securities law legend enfaced on Rule 144A Notes, the Registrar shall deliver only Rule 144A 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.

**(g) 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;

**“Regulation S Note”** means a Note represented by a Regulation S 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;



“**Rule 144A Note**” means a Note represented by a Rule 144A Global Note or a Note issued in registered form in exchange or substitution therefor;

“**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**

#### (a) **Status of Senior Notes**

The Senior Notes (being those Notes the Final Terms in respect of which specify their Status as Senior) and the relative Coupons (if any) are direct, unconditional unsubordinated 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 Dated Subordinated Notes**

The Dated Subordinated Notes (being those Notes the Final Terms in respect of which specify their Status as Dated Subordinated) and the relative Coupons (if any) are direct, subordinated and unsecured obligations of the Issuer ranking *pari passu* and without any preference among themselves. In the event of the winding-up of the Issuer (other than an Approved Winding-up) or the appointment of an administrator of the Issuer where the administrator has given notice that it intends to declare and distribute a dividend, the payment obligations of the Issuer under or arising from the Dated Subordinated Notes and the Trust Deed, including any damages awarded for breach of any obligations in respect of the Dated Subordinated Notes, shall be subordinated in the manner provided in the Trust Deed to the claims of all Senior Creditors of the Issuer, but shall rank at least *pari passu* with all other subordinated obligations or preference shares of the Issuer which constitute (or which, upon issue, constituted or were intended to constitute), or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital (“**Pari Passu Securities**”) and shall rank in priority to the claims of holders of: (i) all subordinated obligations of the Issuer the claims in respect of which rank, or are expressed to rank, junior to the Dated Subordinated Notes; (ii) all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital; and (iii) all classes of share capital of the Issuer other than preference shares which are *Pari Passu Securities* (together, the “**Junior Securities**”).

#### (c) **Set-off, etc.**

Subject to applicable law, no holder of the Dated Subordinated Notes and the relative Coupons (if any) may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Dated Subordinated Notes and each holder of the Dated Subordinated Notes and the relative Coupons (if any) shall, by virtue of being the holder of any Dated Subordinated Note and the relative Coupons (if any), be deemed to have

waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any holder of the Dated Subordinated Notes and the relative Coupons (if any) by the Issuer is discharged by set-off, such holder shall, unless such payment is prohibited by law, immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up or administration, the liquidator or administrator, as appropriate of the Issuer for payment to the Senior Creditors in respect of amounts owing to them by the Issuer, and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator or administrator, as appropriate of the Issuer, for payment to the Senior Creditors in respect of amounts owing to them by the Issuer and accordingly any such discharge shall be deemed not to have taken place.

In these Conditions:

**“Approved Winding-up”** means a solvent winding-up of the Issuer solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (ii) do not provide that the Dated Subordinated Notes shall thereby become payable;

**“Capital Rules”** means at any time the regulations, requirements, guidelines and policies relating to capital resources requirements or capital adequacy then in effect and applicable to the Group (including, without limitation, any regulations, requirements, guidelines and policies of the Regulator as may from time to time be applicable to the Group);

**“Group”** means the Issuer and each other entity which is part of the UK prudential consolidation group (as that term, or its successor, is used in the Capital Rules) of which the Issuer is part from time to time;

**“Regulator”** means the Prudential Regulation Authority of the UK or such successor or other authority having primary responsibility for the prudential supervision of the Issuer and the Group;

**“Senior Creditors”** means creditors of the Issuer (a) who are unsubordinated creditors of the Issuer; or (b) who are subordinated creditors of the Issuer (other than those whose claims constitute, or would but for any applicable limitation on the amount of any such capital constitute, Tier 1 Capital or Tier 2 Capital or whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the holders of the Dated Subordinated Notes);

**“Tier 1 Capital”** has the meaning given to it in the Capital Rules;

**“Tier 2 Capital”** has the meaning given to it in the Capital Rules; and

the expression **“obligations”** includes any direct or indirect obligations of the Issuer and whether by way of guarantee, indemnity, other contractual support arrangement or otherwise and regardless of name or designation.

#### 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 Fixed Rate Reset Notes

- (i) Each Fixed Rate Reset Note bears interest:

- (a) from (and including) the Interest Commencement Date (which unless otherwise specified in the applicable Final Terms shall be the Issue Date) to (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;
- (b) from (and including) the First Reset Date to (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date, at the rate per annum equal to the First Reset Rate of Interest; and
- (c) for each Subsequent Reset Period thereafter (if any), at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

in each case, 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 each Interest Period ending on or before the First Reset 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 Reset Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Reset Notes represented by such Global Note; or
- (B) in the case of Fixed Rate Reset 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 Reset Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Reset 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.

- (ii) If Mid-Swap Rate is specified as the Reset Rate in the applicable Final Terms and on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Relevant Currency on the Reset Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent. If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest.
- (iii) The Principal Paying Agent or, where specified in these Conditions or the applicable Final Terms, the Calculation Agent will at, or as soon as practicable after the Determination Time on each Reset Determination Date, determine the applicable Rate of Interest for the relevant Reset Period. The Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Reset Period as soon as practicable after calculating the same.
- (iv) The Principal Paying Agent will cause the Rate of Interest for each Reset Period 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 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. 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.

- (v) If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having regard to the foregoing provisions of this Condition 4(b)), it shall deem fair and reasonable in all the circumstances. In making any such calculation, the Trustee may at the Issuer's expense appoint and rely without liability on a calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). Each such calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as applicable.
- (vi) 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 the Calculation Agent or the Trustee or its agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Principal Paying Agent and the Calculation Agent, the other Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent or the Trustee or its agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions pursuant to such provisions.
- (vii) For the purposes of this Condition 4(b):

**"Benchmark Gilt"** means, in respect of a Reset Period, such United Kingdom government security having a maturity date on or about the last day of such Reset Period as the Calculation Agent, with the advice of the Reference Banks, may determine to be appropriate;

**"Benchmark Gilt Rate"** means, in respect of a Reset Period, the gross redemption yield (as calculated by the Calculation Agent in accordance with generally accepted market practice at such time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) of the Benchmark Gilt in respect of that Reset Period, with the price of the Benchmark Gilt for this purpose being the arithmetic average (rounded up (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered prices of such Benchmark Gilt quoted by the Reference Banks at 3.00 p.m. (London time) on the relevant Reset Determination Date on a dealing basis for settlement on the next following dealing day in London. If at least four quotations are provided, the Benchmark Gilt Rate will be the rounded arithmetic mean of the quotations provided, 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 only two or three quotations are provided, the Benchmark Gilt Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Benchmark Gilt Rate will be the rounded quotation provided. If no quotations are provided, the Benchmark Gilt Rate will be determined by the Calculation Agent in its sole discretion following consultation with the Issuer;

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

**“dealing day”** means a day, other than a Saturday or Sunday, on which the London Stock Exchange (or such other stock exchange on which the Benchmark Gilt is at the relevant time listed) is ordinarily open for the trading of securities;

**“First Margin”** means the margin specified in the applicable Final Terms;

**“First Reset Date”** means the date specified in the applicable Final Terms;

**“First Reset Period”** means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date;

**“First Reset Rate of Interest”** means, in respect of the First Reset Period and subject to Condition 4(b)(ii) (where applicable), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate and the First Margin;

**“Initial Rate of Interest”** has the meaning specified in the applicable Final Terms;

**“Mid-Market Swap Rate”** means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Relevant Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Relevant Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (calculated on the day count basis customary for floating rate payments in the Relevant Currency as determined by the Calculation Agent);

**“Mid-Market Swap Rate Quotation”** means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

**“Mid-Swap Floating Leg Benchmark Rate”** means EURIBOR if the Relevant Currency is euro or LIBOR for the Relevant Currency if the Relevant Currency is not euro;

**“Mid-Swap Maturity”** has the meaning specified in the applicable Final Terms;

**“Mid-Swap Rate”** means, in relation to a Reset Determination Date and subject to Condition 4(b)(ii), either:

- (i) if Single Mid-Swap Rate is specified in the applicable Final Terms, the rate for swaps in the Relevant Currency:
  - (A) with a term equal to the relevant Reset Period; and
  - (B) commencing on the relevant Reset Date,

which appears on the Relevant Screen Page; or

- (ii) if Mean Mid-Swap Rate is specified in the applicable Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Relevant Currency:
  - (A) with a term equal to the relevant Reset Period; and
  - (B) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Relevant Currency on such Reset Determination Date, all as determined by the Calculation Agent;

**“Rate of Interest”** means the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

**“Reference Banks”** means:

- (i) for the purposes of Condition 4(b)(ii), five leading swap dealers in the principal interbank market relating to the Relevant Currency selected by the Calculation Agent in its discretion after consultation with the Issuer; or
- (ii) in the case of a Benchmark Gilt Rate, five brokers of gilts and/or gilt-edged market makers selected by the Calculation Agent in its discretion after consultation with the Issuer;

**“Reference Bond”** means for any Reset Period a government security or securities issued by the government of the state responsible for issuing the Relevant Currency (which, if the Relevant Currency is euro, shall be Germany) selected by the Calculation Agent in its discretion after consultation with the Issuer as having an actual or interpolated maturity comparable with the relevant Reset Period and that (in the opinion of the Calculation Agent, after consultation with the Issuer) would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issuances of corporate debt securities denominated in the Relevant Currency and of a comparable maturity to the relevant Reset Period;

**“Reference Bond Dealer”** means each of five banks which are primary government securities dealers or market makers in pricing corporate bond issuances, as selected by the Calculation Agent in its discretion after consultation with the Issuer;

**“Reference Bond Dealer Quotations”** means, with respect to each Reference Bond Dealer and the Reset Determination Date, the arithmetic mean, as determined by the Calculation Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) as at approximately 11.00 a.m. in the



principal financial centre of the Relevant Currency on the Reset Determination Date and quoted in writing to the Calculation Agent by such Reference Bond Dealer;

**“Reference Bond Price”** means, with respect to a Reset Determination Date, (a) the arithmetic mean of the Reference Bond Dealer Quotations for that Reset Determination Date, after excluding the highest and lowest such Reference Bond Dealer Quotations, or (b) if the Calculation Agent obtains fewer than four such Reference Bond Dealer Quotations, the arithmetic mean of all such quotations or (c) if the Calculation Agent obtains only one Reference Bond Dealer Quotation or if the Calculation Agent obtains no Reference Bond Dealer Quotations, the First Reset Rate of Interest or Subsequent Reset Rate of Interest, as applicable, shall be determined by the Calculation Agent in its sole discretion following consultation with the Issuer;

**“Reference Bond Rate”** means, in respect of a Reset Period, the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for such Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price;

**“Relevant Currency”** means the currency specified in the applicable Final Terms or, if none is specified, the currency in which the Notes are denominated;

**“Relevant Screen Page”** has the meaning specified in the applicable Final Terms;

**“Reset Date”** means the First Reset Date, the Second Reset Date (if any) and each Subsequent Reset Date (if any), as applicable, in each case as adjusted in accordance with Condition 4(f);

**“Reset Determination Date”** means, in respect of the First Reset Period, the second Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Business Day prior to the first day of each such Subsequent Reset Period;

**“Reset Period”** means the First Reset Period or a Subsequent Reset Period, as the case may be;

**“Reset Rate”** means:

- (i) if Mid-Swap Rate is specified in the applicable Final Terms, the relevant Mid-Swap Rate;
- (ii) if Benchmark Gilt Rate is specified in the applicable Final Terms, the relevant Benchmark Gilt Rate; or
- (iii) if Reference Bond is specified in the applicable Final Terms, the relevant Reference Bond Rate;

**“Second Reset Date”** means the date specified in the applicable Final Terms;

“**Subsequent Margin**” means the margin specified in the applicable Final Terms;

“**Subsequent Reset Date**” means the date or dates specified in the applicable Final Terms;

“**Subsequent Reset Period**” means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date (or, if no such Subsequent Reset Date is specified in the applicable Final Terms, the Maturity Date), and each successive period (if any) from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date (or, if no such Subsequent Reset Date is specified in the applicable Final Terms, the Maturity Date); and

“**Subsequent Reset Rate of Interest**” means, in respect of any Subsequent Reset Period and subject to Condition 4(b)(ii) (where applicable), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate and the relevant Subsequent Margin.

**(c) 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 subparagraph (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 of the relevant Series, (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 sub-paragraph (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 sub-paragraph (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 EONIA Linked Interest Notes and 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 sub-paragraph (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 sub-paragraph (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 EONIA 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 EONIA, the Rate of Interest for each Interest Period will, subject as provided below, be Capitalised EONIA plus or minus (as

indicated in the applicable Final Terms) the Margin, all as determined by the Calculation Agent or Determination Agent (as applicable).

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

“**Capitalised EONIA**” means the resultant figure of the following formula (expressed as a percentage per annum rounded to the nearest ten-thousandths of a percentage point, with 0.00005 being rounded upwards):

$$\left[ \frac{\frac{d_0}{\prod_{i=1}^{d_0} \left( 1 + \frac{EONIA_i \times n_i}{360} \right)} - 1}{d} \right] \times \frac{360}{d}$$

“**d<sub>0</sub>**” means, for the relevant Interest Period, the number of TARGET Business Days in such Interest Period;

“**i**” means a series of whole numbers from one to d<sub>0</sub>, each representing the relevant TARGET Business Days in chronological order from, and including, the first TARGET Business Day in the relevant Interest Period;

“**EONIA<sub>i</sub>**” means, for any day “i” in the relevant Interest Period, a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Relevant Screen Page in respect of that day;

“**n<sub>i</sub>**” means the number of calendar days in the relevant Interest Period on which the rate is EONIA<sub>i</sub>;

“**d**” means the number of calendar days in the relevant Interest Period;

“**Margin**” shall have the meaning specified in the applicable Final Terms;

“**Relevant Screen Page**” shall have the meaning specified in the applicable Final Terms or, if no meaning is so specified, Reuters Screen EONIA Page or any successor; and

“**TARGET Business Day**” means a day on which the TARGET2 System is open.

If the Calculation Agent or the Determination Agent (as applicable) determines that either the Relevant Screen Page is not available or no such overnight rate as referred to in EONIA<sub>1</sub> appears for any reason for any day “i” on the TARGET Business

Day following that day as provided above, the Calculation Agent or the Determination Agent (as applicable) shall determine EONIA<sub>1</sub> for such day in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

(III) 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)(III):

**“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(c)(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;

- (c) references to “Reference Rate” shall be deemed to be to the “Underlying Reference Rate” specified in the applicable Final Terms; and
- (d) the Calculation Agent or Determination Agent (as applicable) will be the party making all determinations and, notwithstanding the final paragraph of Condition 4(c)(ii)(B)(I), if the Calculation Agent or Determination Agent (as applicable) is unable to determine the Screen Rate in accordance with Condition 4(c)(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 EONIA, the Calculation Agent or Determination Agent (as applicable) shall determine the Underlying Rate for a calendar day on the basis that:

- (a) “**Underlying Rate**” shall, for any calendar day, be deemed to be to a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Relevant Screen Page on the first TARGET Business Day following that day;
- (b) “**Relevant Screen Page**” shall have the meaning specified in the applicable Final Terms or, if no meaning is so specified, Reuters Screen EONIA Page or any successor; and
- (c) “**TARGET Business Day**” means a day on which the TARGET2 System is open.

If the Calculation Agent or the Determination Agent (as applicable) determines that either the Relevant Screen Page is not available or no such overnight rate as referred to in Underlying Rate appears for any reason for the relevant calendar day on the TARGET Business Day following that day as provided above, the Calculation Agent or the Determination Agent (as applicable) shall determine the Underlying Rate for such day 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(c)(ii)(B)(III) 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(c)(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(c)(ii)(B)(I), if the Calculation Agent or Determination Agent (as applicable) is unable to determine the Screen Rate in accordance with Condition 4(c)(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(c)(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.

For the avoidance of doubt, where the Rate of Interest applicable to Floating Rate Notes for any Interest Period is determined to be less than zero, the Rate of Interest for such Interest Period shall (unless otherwise stated in the applicable Final Terms) be zero.

(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 at the Issuer's expense appoint and rely without liability 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(c), whether by the Principal Paying Agent or, if applicable, the Calculation Agent or the Determination Agent or the Trustee or its agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, 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 Noteholders or the Couponholders shall attach to the Principal Paying Agent or (as applicable) the Calculation Agent or the Determination Agent or the Trustee or its agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions pursuant to such provisions.



**(d) Interest on Convertible Interest Basis Notes**

If the 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(d), and such interest will be payable in arrear on the relevant Interest Payment Date (as defined below).

If the 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(c). 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(c)(v) shall apply in respect of each Interest Period falling within such Interest Basis Period.

For the purposes of this Condition 4(d):

“**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.

**(e) 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(j).

**(f) 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 in respect of Floating Rate Notes or Variable Interest Notes, 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(c)(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(c)(i)(B) above 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<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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<sub>1</sub> is greater than 29, in which case D<sub>2</sub> 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<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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<sub>2</sub> 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<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” 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<sub>1</sub> will be 30; and 1

“D<sub>2</sub>” 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<sub>2</sub> 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 an intergovernmental approach thereto, and the Issuer shall not 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, Fixed Rate Reset 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 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 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 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, adverse tax consequences to the Issuer.

**(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(f).

**(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(f)); 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 at the option of the Issuer for tax reasons**

If:

- (i) for the purposes of any Notes (whether Senior Notes or Dated Subordinated Notes), as a result of a Tax Law Change:
  - (a) in making any payments on the Notes, the Issuer will or would be required to pay additional amounts on the Notes under Condition 7; or
  - (b) the Issuer will not or would not be entitled to claim a deduction in respect of any payments (other than the repayment of the principal amount of the Notes) in computing its taxation liabilities or the amount of the deduction would be materially reduced; or
- (ii) for the purposes of Dated Subordinated Notes only, as a result of a Tax Law Change:
  - (a) the Dated Subordinated Notes will or would no longer be treated as loan relationships for United Kingdom tax purposes;
  - (b) the Issuer will not or would not, as a result of the Dated Subordinated Notes being in issue, be able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which the Issuer is or would otherwise be so grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of issue of the Dated Subordinated Notes or any similar system or systems having like effect as may from time to time exist);
  - (c) the Issuer will or would, in the future, have to bring into account a taxable credit, taxable profit or the receipt of taxable income if the principal amount of the Dated Subordinated Notes were written down, on a permanent or temporary basis, or the Dated Subordinated Notes were converted into ordinary shares in the capital of the Issuer, or
  - (d) the Dated Subordinated Notes or any part thereof will or would become treated as a derivative or an embedded derivative for United Kingdom tax purposes,

(each such event, a “**Tax Event**”) then the Issuer may (subject, in the case of Dated Subordinated Notes, to Condition 6(i)), provided that in the case of each Tax Event, the consequences of the Tax Event cannot be avoided by the Issuer taking reasonable measures available to it, 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.

Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the relevant requirement or circumstance referred to in this Condition 6(b) applies and the consequences of the relevant Tax Event cannot be avoided by the Issuer taking reasonable measures available to it. Such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee is entitled to rely on such certificate without liability to any person.

In these Conditions, “**Tax Law Change**” means a change in, or amendment to, the laws or regulations of the United Kingdom or the taxing jurisdiction of any territory in which the Issuer is incorporated or resident for tax purposes, or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the UK is a party, or any change in the application of such laws by a decision of any court or tribunal, that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the relevant Notes and which, in the case of the Dated Subordinated Notes, are capable of constituting Tier 2 Capital) or which differs from any specific written confirmation given by a tax authority in respect of the relevant Notes, which change or amendment becomes effective or, in the case of a change in law, if such change is enacted by a UK Act of Parliament or by Statutory Instrument, on or after the Issue Date of the first Tranche of Notes of the relevant Series.

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

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

If the Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may (subject, in the case of Dated Subordinated Notes, to Condition 6(i)) 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 of Dated Subordinated Notes at the option of the Issuer due to Regulatory Capital Event**

If the Regulatory Capital Event Call is specified as being applicable in the applicable Final Terms relating to Dated Subordinated Notes and a Regulatory Capital Event has occurred and is continuing, the Issuer may (subject to Condition 6(i)), 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 Dated Subordinated Notes at any time (if this Dated Subordinated 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 Dated Subordinated Notes accordingly. Prior to the publication of any notice of redemption pursuant to this Condition 6(d), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the relevant requirement or circumstance referred to in this Condition 6(d) applies. Such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee is entitled to rely on such certificate without liability to any person.

Dated Subordinated Notes redeemed pursuant to this Condition 6(d) will be redeemed at their Early Redemption Amount determined pursuant to Condition 6(f) below.

In these Conditions, a "**Regulatory Capital Event**" will occur if at any time there is a change in the regulatory classification of the Dated Subordinated Notes occurring after the Issue Date of the first Tranche of Notes of the relevant Series that does, or will, result in the Dated Subordinated Notes being fully excluded from the Tier 2 Capital of the Group.

**(e) Redemption at the option of the Noteholders other than holders of Dated Subordinated Notes (Investor Put)**

If Investor Put is specified as being applicable in the applicable Final Terms in respect of any Senior Notes, upon the holder of any Senior 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(e) 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.

**(f) Early Redemption Amounts**

For the purpose of Conditions 6(b) and 6(d) 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 :
  - (A) the 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.

**(g) Purchases**

The Issuer or any Subsidiary of the Issuer may (subject, in the case of Dated Subordinated Notes, to Condition 6(i)) 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 relevant Subsidiary (as applicable), surrendered to any Paying Agent and/or the Registrar.

For the purposes of this Condition 6(g), a company is a “**Subsidiary**” of another company if that other company:

- (a) holds a majority of the voting rights in it;
- (b) is a member of it and has the right to appoint or remove a majority of its board of directors; or
- (c) is a member of it and controls alone, pursuant to an agreement with other members, a majority of the voting rights in it,

or if it is a Subsidiary of a company that is itself a Subsidiary of that other company.

**(h) 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.



**(i) Conditions to redemption and purchase of Dated Subordinated Notes**

Any redemption or purchase of Dated Subordinated Notes pursuant to Conditions 6(b), 6(c), 6(d) or 6(g) is subject to:

- (i) the Issuer having obtained Regulatory Approval; and
- (ii) the Issuer being in compliance with the Regulatory Preconditions.

For the purposes of this Condition 6:

**“Regulatory Approval”** means, at any time, such approval, consent or prior permission by, or notification required within prescribed periods to, the Regulator, or such waiver of the then prevailing Capital Rules from the Regulator, as is required under the then prevailing Capital Rules at such time; and

**“Regulatory Preconditions”** means:

- (a) if, at the time of such redemption or purchase, the prevailing Capital Rules permit the redemption or purchase after compliance with any pre-conditions, the Issuer having complied with such pre-conditions; and
- (b) in the case of a redemption pursuant to Conditions 6(c) or 6(d) occurring prior to the fifth anniversary of the Issue Date of the first Tranche of the relevant Series of the Dated Subordinated Notes only,
  - (i) the Regulator being satisfied (such satisfaction to be evidenced by the granting of Regulatory Approval) that the Issuer has demonstrated to the satisfaction of the Regulator that the circumstance that entitles the Issuer to exercise its right of redemption was not reasonably foreseeable, judged at the Issue Date of the first Tranche of the relevant Series of the Dated Subordinated Notes and is (in the case of a redemption pursuant to Condition 6(d)) sufficiently certain or (in the case of a redemption pursuant to Condition 6(b)) material; or
  - (ii) if, at the time of such redemption, the prevailing Capital Rules permit the redemption after compliance with an alternative pre-condition, the Issuer having complied with such other pre-condition.

**(j) 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 principal amount due and repayable in respect of such Note (the **“Late Payment”**) shall itself accrue (in the case of Zero Coupon Notes only) or continue to accrue (in the case of any other Notes) 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), 4(b) or 4(c), 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 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 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 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 is incorporated or resident for tax purposes or in the United Kingdom; or
- (iii) where such withholding or deduction 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 an intergovernmental approach thereto, and the Issuer shall not 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**

### **(a) Events of Default and enforcement in respect of Senior Notes**

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 Senior Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Senior Notes are, and they shall accordingly thereby become, immediately due and repayable each at their Early Redemption Amount (determined pursuant to Condition 6(f)) together with accrued interest as provided in the Trust Deed, 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 and such sum has not been duly paid within a further 14 days following written notice from the Trustee to the Issuer requiring the non-payment to be made good, provided that it shall not be such a default if, during the 14 days after the Trustee's notice it satisfies the Trustee that such payment was refused or withheld 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 fails to perform or observe any of its other obligations under the Senior 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 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 (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.

At any time after the Senior 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 steps, actions or proceedings against the Issuer as it may think fit to enforce repayment thereof together with accrued interest, if any, and to enforce the provisions of the Trust Deed, but it shall not be bound to institute any such steps, actions or 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 unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

**(b) Events of Default and enforcement in respect of Dated Subordinated Notes**

- (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 Dated Subordinated Notes or any of them and such sum has not been duly paid within a further 14 days following written notice from the Trustee to the Issuer requiring the non-payment to be made good, the Trustee in its discretion may, and if so requested by Noteholders of at least one-quarter in principal amount of the Dated Subordinated Notes then outstanding or if so directed by an Extraordinary Resolution, shall (subject in each case to Condition 9(b)(iv)) institute steps, actions or proceedings for the winding-up of the Issuer, but may take no further or other action to enforce, prove or claim for any such payment, 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 as to such validity or applicability given at any time during the said period of 14 days after the Trustee's notice by independent legal advisers acceptable to the Trustee.
- (ii) If an order is made by the competent court or resolution passed for the winding-up of the Issuer (other than an Approved Winding-up), the Trustee at its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Dated Subordinated Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 9(b)(v)), give notice to the Issuer (or, as applicable, the liquidator) that the Dated Subordinated Notes are, and they shall accordingly forthwith become, immediately due and repayable at the amount equal to their Early Redemption

Amount and any accrued and unpaid interest, and the claim in respect thereof will be subject to the subordination provided for in Condition 3(b).

- (iii) Without prejudice to Conditions 9(b)(i) and 9(b)(ii) above, the Trustee may at its discretion and without further notice institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed, these Conditions and the Dated Subordinated Notes and the relative Coupons (if any) (other than any payment obligation of the Issuer under or arising from the Dated Subordinated Notes and the relative Coupons (if any) or the Trust Deed including, without limitation, payment of any principal or interest in respect of the Dated Subordinated Notes and the relative Coupons (if any) and any damages awarded for breach of any obligations) provided that in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums (in cash or otherwise) sooner than the same would otherwise have been payable by it. Nothing in this Condition 9(b)(iii) shall, subject to Condition 9(b)(i), prevent the Trustee instituting steps, actions or proceedings for the winding-up of the Issuer, proving in any winding-up of the Issuer and/or claiming in any liquidation of the Issuer in respect of any payment obligations of the Issuer arising from the Dated Subordinated Notes and the relative Coupons (if any) or the Trust Deed (including without limitation, payment of any principal or interest in respect of the Dated Subordinated Notes and the relative Coupons (if any) and any damages awarded for any breach of any obligations).
- (iv) The Trustee shall not be bound to take any of the actions referred to in Condition 9(b)(i), 9(b)(ii) or 9(b)(iii) above to enforce the obligations of the Issuer under the Trust Deed or the Dated Subordinated Notes unless (i) 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 in principal amount of the Dated Subordinated Notes then outstanding and (ii) provided in each case it has been indemnified and/or secured and/or prefunded to its satisfaction against all costs, charges, liabilities and expenses which may be incurred by it in connection with such action, including the costs of its management's time and/or other internal resources, calculated in accordance with its normal hourly rates in force from time to time.
- (v) No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or to institute steps, actions or proceedings for the winding-up or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such winding-up, fails to do so within a reasonable period and such failure is then continuing, in which case the relevant Noteholder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 9(b).
- (vi) No remedy against the Issuer, other than as referred to in this Condition 9(b), shall be available to the Trustee, the Noteholders or the Couponholders, whether for the recovery of amounts owing in respect of the Dated Subordinated Notes or under the Trust Deed or in respect of any breach by the

Issuer of any of its other obligations under or in respect of the Dated Subordinated Notes or under the Trust Deed.

#### **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 in writing by the Trustee in continental Europe other than any such jurisdiction in which the Issuer 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 in respect of the Agents relating to the Notes 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, 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. Such a meeting may be convened by the Issuer 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 as detailed in 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) (other than as detailed in the Trust Deed) 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 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 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 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 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.

No such modification, waiver, authorisation, determination, substitution or addition as aforesaid which relates to any Dated Subordinated Notes shall become effective unless the Issuer shall have received the consent of the Regulator (unless such consent is not then required under the Capital Rules).

#### **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; provided, however, that if such further notes are not issued as part of the same "issue" or in a "qualified reopening" for U.S. federal income tax purposes, the further notes will have a separate Common Code, ISIN and (where applicable) CUSIP and CINS from such numbers assigned to the previously issued 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. Miscellaneous**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

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 THE ISSUER, SANTANDER UK GROUP HOLDINGS PLC AND THE SANTANDER UK GROUP**

### **Background**

The Issuer is a public limited company incorporated and registered in England and Wales under the Companies Act 2006. It was incorporated on 23 September 2013 as a private limited company with registered number 08700698 with the name Nuevo Topco Limited. On 16 December 2013, the Issuer changed its name to Santander UK Group Limited. On 22 January 2014, the Issuer changed its name to Santander UK Group Holdings Limited. On 25 March 2015, the Issuer re-registered as a public limited company. On 10 January 2014 the Issuer became the holding company of Santander UK plc ("**Santander UK**") following its acquisition of Santander UK from Banco Santander and Santusa Holdings, S.L.

The principal executive office and registered office of the Issuer is at 2 Triton Square, Regent's Place, London, NW1 3AN. The telephone number of the Issuer is +44 (0) 800 389 7000.

The Issuer's principal operating subsidiary is Santander UK. Santander UK was originally formed as a building society in 1944 under the name Abbey National Building Society 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 Issuer and Santander UK operate on the basis of a unified business strategy and have common boards, albeit the principal business activities of the Group are carried on by Santander UK and its subsidiaries.

The Issuer is a subsidiary of Banco Santander and Santusa Holding, S.L.

### **Corporate Purpose**

The Group's purpose is to help people and businesses prosper as it seeks to build the Best Bank in the UK – a bank that is Simple, Personal and Fair.

### **Business and Support Divisions**

The Group, headed by Nathan Bostock, Chief Executive Officer, operates four business divisions as follows:

#### **Retail Banking**

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

## Commercial Banking

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

## Corporate and Institutional Banking

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

## Corporate Centre

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

## Directors of the Issuer

The following table sets forth the directors of the Issuer.

<i>Position</i>	<i>Name</i>	<i>Other principal activities</i>
Chair	Baroness Shriti Vadera	Non-Executive Director BHP Billiton plc; Non-Executive Director AstraZeneca plc; and Non-Executive Chair Santander UK plc.
Deputy Chair and Non-Executive Director	Juan Rodríguez Inciarte	Director of Santander Consumer Finance, S.A.; Non-Executive Director of Santander UK plc; Director of Vista Capital de Expansion S.A. S.G.E.C.R.; and Chairman of Saarema Inversiones, S.A.

<i>Position</i>	<i>Name</i>	<i>Other principal activities</i>
Executive Director and Chief Executive Officer	Nathan Bostock	Executive Director of Santander UK plc; and Member of the PRA Practitioner Panel.
Executive Director and Chief Financial Officer	Stephen Jones*	Member of the Board of the British Bankers Association; Member of the FCA Practitioner Panel; Member of the Advisory Council of The City UK; Executive Director of Santander UK plc; and Director of Abbey National Treasury Services plc.
Executive Director and Head of UK Banking	Steve Pateman	Member of the Chartered Banker Professional Standards Board; Member of the Chartered Banker Institute Council; Director of Abbey National Treasury Services plc; Executive Director of Santander UK plc; Chair of BBA Retail Committee; and Director of Santander Asset Management UK Limited.
Senior Independent Director	Scott Wheway	Non-Executive Director of Aviva plc; Non-Executive Director of Santander UK plc; Chair of the Governance Committee of Aviva plc; Member of the Risk Committee of Aviva plc; and Chairman of Aviva Insurance Limited.
Non-Executive Directors	Roy Brown*	Non-Executive Director of Santander UK plc.
	José Maria Fuster	Non-Executive Director of Santander UK plc; Chief Information Officer of Banco Santander, S.A.; Managing Director of Banco Santander Group Technology and Operations; Director of Portal Universia, S.A.;

<i>Position</i>	<i>Name</i>	<i>Other principal activities</i>
		Director of Santander Consumer Bank AG; Director of Santander Consumer Holdings GmbH; and Director of Ingeniería de Software Bancario, S.L. (“ <b>ISBAN</b> ”)
	Bruce Carnegie-Brown	Vice Chairman and Lead Independent Director of Banco Santander, S.A.; Chairman of Aon UK Limited; Non-Executive Director of Santander UK plc; and Chairman of Moneysupermarket.com Group plc.
	Antonio Escámez Torres	Chairman of Fundación Banco Santander S.A.; Non-Executive Director of Santander UK plc; Member of Banco Santander International Advisory Board; Chairman of Santander Consumer Finance, S.A.; Chairman of Openbank, S.A.; Chairman of Arena Media Communications España, S.A.; Vice-Chairman of Grupo Konectanet S.L.; and Vice-Chairman of Attijariwafa Bank Société Anonyme.
	Michael Amato	President and Chief Executive Officer of Cimarron Inc.; and Non-Executive Director of Santander UK plc.
	Alain Dromer	Independent Member of the Board of Moody's Investors Service Limited; Non-Executive Director of Santander UK plc; Independent Member of the Board of Moody's Deutschland GmbH; Independent Member of the Supervisory Board of Moody's France SA;



<i>Position</i>	<i>Name</i>	<i>Other principal activities</i>
		Non- Executive Director of Majid Al Futtaim Trust LLC; and Non-Executive Director of Henderson European Focus Trust plc.
	Manuel Soto	Director of Cartera Industrial REA, S.A.; Director of Santander Bank, NA; Non-Executive Director of Santander UK plc; Member of Advisory Board, Grupo Barceló; and Member of Advisory Board, Befesa Medio Ambiente, S.A.
	Ana Botín	Executive Chairman of Banco Santander, S.A.; Trustee of Fundación Botín; Chairman of Portal Universia, S.A.; Non-Executive Director of Santander UK plc; Non-Executive Director of The Coca Cola Company; and Trustee of the Mayor's Fund for London.
	Chris Jones	Non-Executive Director of Santander UK plc; Chair of the Advisory Board of Association of Corporate Treasurers; Non-Executive Director of Redburn (Europe) Limited; Co-opted Trustee of the Investment Committee of the Civil Service Benevolent Fund; and Member of the Advisory Board of the Financial Services Faculty of the ICAEW.
	Genevieve Shore	Non-Executive Director of Santander UK plc; Non-Executive Director of Moneysupermarket.com Group plc; Non-Executive Director of Scottish Television (STV Group plc); Non-Executive Director of Next Fifteen Communications Group plc;

<i>Position</i>	<i>Name</i>	<i>Other principal activities</i>
		Member of Advisory Board of Great Fridays; and Strategic Advisor of Edukey Education Ltd.
	Ed Giera	Non-Executive Director of Pension Corporation Group Limited; Non-Executive Director of Renshaw Bay Structured Finance Opportunity Fund; and Non-Executive Director of Renshaw Bay Real Estate Finance Fund.

\*The Issuer announced on 28 July that Stephen Jones is to step down as Executive Director and Chief Financial Officer. He will remain as Executive Director and CFO until 30 October 2015 at which point Antonio Roman will assume the CFO role. The Issuer announced on 19 August 2015 that Roy Brown will step down as Non-Executive Director from 31 December 2015.

The business address of each of the directors is 2 Triton Square, Regent's Place, London NW1 3AN with telephone number +44 (0)800 389 7000.

### **Conflicts of Interest**

There are no potential conflicts of interest between the duties to the Issuer of the persons listed above and their private interests and/or other duties.

### **Credit Ratings**

As at the date of this Prospectus, the long-term obligations of the Issuer are rated BBB by S&P, Baa2 by Moody's and A by Fitch, and the short-term obligations of the Issuer are rated A-2 by S&P and F-1 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 believes 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 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 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 Depository 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](http://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 (“**Beneficial 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 Beneficial 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 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, 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, 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. The Issuer does not 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 depositories 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 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 understanding of current tax law and HM Revenue & Customs' ("HMRC") 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 withholding or deduction from interest on the Notes for or on account of tax in the United Kingdom as well as summarising certain rules relating to the provision of information (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 Taxation of Regulatory Capital Securities Regulations 2013 (the "**Regulations**") provide an exemption such that payments of interest by the Issuer on the Dated Subordinated Notes can be made without withholding or deduction for or on account of United Kingdom income tax so long as the Dated Subordinated Notes qualify, or have qualified, as (i) Additional Tier 1 instruments and form, or have formed, a component of Additional Tier 1 capital or (ii) Tier 2 instruments and form, or have formed, a component of Tier 2 capital (in either case for the purposes of the Commission Regulation (EU) No 575/2013) provided that there are no arrangements the main purpose, or one of the main purposes, of which is to obtain a tax advantage for any person as a result of the application of the Regulations in respect of the Dated Subordinated Notes.
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.

3. Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through



whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HMRC has not given a direction that the interest should be paid under deduction of tax.

4. 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. Where United Kingdom tax is withheld, the rate is the “basic rate” of income tax (currently 20 per cent.).
5. HMRC have powers to obtain information, including in relation to interest or payments treated as interest and payments derived from securities. This may include details of the beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid and information in connection with transactions relating to the Notes. Information obtained by HMRC may be provided to tax authorities in other countries.

#### **Directive on the taxation of savings income**

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

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March, 2014, the Council of the European Union adopted a Council Directive (the “**Amending Directive**”) amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January, 2017, and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or legal arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January, 2017 in the case of Austria and from 1 January, 2016 in the case of all other Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new

automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

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 following is a summary of certain U.S. federal income tax considerations that may be relevant to a holder of a Note that is a citizen or resident of the United States, a U.S. domestic corporation or otherwise is subject to U.S. federal income tax on a net income basis in respect of the Note (a “**U.S. holder**”). This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change. This summary deals only with U.S. holders that hold Notes as capital assets. It does not address all aspects of U.S. federal income taxation that may be relevant to particular investors, and does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that will hold Notes as a position in a “straddle” or conversion transaction or as part of a “synthetic security” or other integrated financial transaction, persons that actually or constructively own 10% or more of the Issuer’s voting stock, persons that hold Notes through partnerships or other pass-through entities, persons that hold Notes in bearer form or persons that have a “functional currency” other than the U.S. dollar. This summary also does not address the alternative minimum tax or the Medicare tax on net investment income. Moreover, the summary does not address Notes with a term of over 30 years or other special tax considerations.

Investors should consult their own tax advisors in determining the tax consequences to them of holding Notes, including the application to their particular situation of the U.S. federal income tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

### **Characterization of the Dated Subordinated Notes**

No statutory, judicial or administrative authority directly addresses the characterization of the Dated Subordinated Notes or instruments similar to the Dated Subordinated Notes for U.S. federal income tax purposes. As a result, significant aspects of the U.S. tax consequences of an investment in the Dated Subordinated Notes are uncertain. The Issuer expects, however, absent a change in law and depending on the precise terms of any issuance of Dated Subordinated Notes, that it is more likely than not that the Dated Subordinated Notes will be treated as debt instruments for U.S. federal income tax purposes.

The following discussion assumes that the Dated Subordinated Notes will be treated as debt instruments for U.S. federal income tax purposes. If the Dated Subordinated Notes are treated as equity for U.S. tax purposes, the U.S. tax consequences to a U.S. holder should be

substantially similar to those described below (excluding the discussions of the rules applicable to CPDI Notes and Short-Term Notes, which are only relevant to instruments characterized as debt for U.S. tax purposes). While interest payments on Dated Subordinated Notes treated as equity will be characterized as dividends for U.S. tax purposes, the payments will be taxable to a U.S. holder as ordinary income at the time they are accrued or received (in accordance with the U.S. holder's method of tax accounting). If Dated Subordinated Notes treated as equity for U.S. tax purposes are issued with more than a de minimis amount of OID (defined below), a U.S. holder will generally be required to include OID in ordinary gross income on a constant-yield basis as it accrues. Upon the sale, exchange or retirement of a Dated Subordinated Note treated as equity for U.S. tax purposes, a U.S. holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the U.S. holder's tax basis in such Note.

The Issuer will indicate in the applicable Final Terms for any Rule 144A Notes the Issuer's intended characterization of the Notes for U.S. federal income tax purposes. In general, under the U.S. Internal Revenue Code of 1986 (the "**Code**"), the characterization of an instrument for U.S. tax purposes as debt or equity of a corporation by its Issuer as of the time of issuance is binding on a holder unless the holder discloses on its tax return that it is taking an inconsistent position. The Issuer's characterization, however, is not binding on the IRS.

#### **Payments of interest**

Payments of "qualified stated interest" (as defined below under "*Original issue discount*") on a Note will be taxable to a U.S. holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the U.S. holder's method of tax accounting). If such payments of interest are made with respect to a Note denominated in a currency other than the U.S. dollar (a "**Foreign Currency Note**"), the amount of interest income realized by a U.S. holder that uses the cash method of tax accounting will be the U.S. dollar value of the foreign currency payment based on the exchange rate in effect on the date of receipt regardless of whether the payment in fact is converted into U.S. dollars. A U.S. holder that uses the accrual method of accounting for tax purposes will accrue interest income on the Note in the relevant foreign currency and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the U.S. holder's taxable year), or, at the accrual basis U.S. holder's election, at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. A U.S. holder that makes such election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the U.S. Internal Revenue Service (the "**IRS**"). A U.S. holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss, as the case may be, on the receipt of an interest payment made with respect to a Foreign Currency Note if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. This foreign currency gain or loss will be treated as ordinary income or loss but generally will not be treated as an adjustment to interest income received on the Note.

### **Purchase, sale and retirement of Notes**

A U.S. holder's tax basis in a Note generally will equal the cost of such Note to such U.S. holder, increased by any amount includible in income by the U.S. holder as original issue discount or market discount and reduced by any amortized premium (each as described below) and any payments other than payments of qualified stated interest made on such Note. In the case of a Foreign Currency Note, the cost of such Note to a U.S. holder will be the U.S. dollar value of the foreign currency purchase price on the date of purchase. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis U.S. holder (and, if it so elects, an accrual basis U.S. holder) will determine the U.S. dollar value of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The amount of any subsequent adjustments to a U.S. Holder's tax basis in a Note in respect of original issue discount, market discount, and premium denominated in a foreign currency will be determined in the manner described under "*Original issue discount*" and "*Premium and market discount*" below. The conversion of U.S. dollars to the relevant foreign currency and the immediate use of the foreign currency to purchase such a Note generally will not result in taxable gain or loss for a U.S. holder.

Upon the sale, exchange or retirement of a Note, a U.S. holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued qualified stated interest, which will be taxable as such) and the U.S. holder's tax basis in such Note. If a U.S. holder receives a currency other than the U.S. dollar in respect of the sale, exchange or retirement of a Note, the amount realized will be the U.S. dollar value of the foreign currency received calculated at the exchange rate in effect on the date the Note is sold, exchanged or retired. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis U.S. holder (and, if it so elects, an accrual basis U.S. holder) will determine the U.S. dollar value of the amount realized by translating such amount at the spot rate on the settlement date of the sale. The election available to accrual basis U.S. holders in respect of the purchase and sale of Foreign Currency Notes that are traded on an established securities market, discussed above, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Except as discussed below with respect to market discount, Short-Term Notes (as defined below) and foreign currency gain or loss, gain or loss recognized by a U.S. holder generally will be long-term capital gain or loss if the U.S. holder has held the Note for more than one year at the time of disposition. Long-term capital gains recognized by an individual holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The ability of U.S. holders to offset capital losses against ordinary income is limited.

Gain or loss recognized by a U.S. holder on the sale, exchange or retirement of a Foreign Currency Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which the U.S. holder held such Note. This foreign currency gain or loss will not be treated as an adjustment to interest income received on the Notes.

### **Original issue discount**

If the Issuer issues Notes at a discount from their stated redemption price at maturity, and the discount is equal to more than the product of one-fourth of one per cent. (0.25%) of the stated

redemption price at maturity of the Notes multiplied by the number of full years to their maturity, the Notes will be “**Original Issue Discount Notes**.” The difference between the issue price and the stated redemption price at maturity of the Notes will be the “original issue discount.” The “issue price” of the Notes will be the first price at which a substantial amount of the Notes are sold to the public (that is, excluding sales of Notes to underwriters, placement agents, wholesalers or similar persons). The “stated redemption price at maturity” will include all payments under the Notes other than payments of qualified stated interest. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments issued by the Issuer) at least annually during the entire term of a Note at a single fixed interest rate or, subject to certain conditions, based on one or more interest indices.

U.S. holders of Original Issue Discount Notes generally will be subject to the special tax accounting rules for obligations issued with original issue discount (“**OID**”) provided by the Code, as amended, and certain regulations promulgated thereunder (the “**OID Regulations**”). U.S. holders of Original Issue Discount Notes should be aware that, as described in greater detail below, they generally must include OID in ordinary gross income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income.

In general, each U.S. holder of an Original Issue Discount Note, whether such holder uses the cash or the accrual method of tax accounting, will be required to include in ordinary gross income the sum of the “daily portions” of OID on the Note for all days during the taxable year that the U.S. holder owns the Note. The daily portions of OID on an Original Issue Discount Note are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be any length and may vary in length over the term of an Original Issue Discount Note, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. In the case of an initial holder, the amount of OID on an Original Issue Discount Note allocable to each accrual period is determined by (a) multiplying the “adjusted issue price” (as defined below) of the Original Issue Discount Note at the beginning of the accrual period by the yield to maturity of such Original Issue Discount Note (appropriately adjusted to reflect the length of the accrual period) and (b) subtracting from that product the amount (if any) of qualified stated interest allocable to that accrual period. The yield to maturity of a Note is the discount rate that causes the present value of all payments on the Note as of its original issue date to equal the issue price of such Note. The “adjusted issue price” of an Original Issue Discount Note at the beginning of any accrual period will generally be the sum of its issue price (generally including accrued interest, if any) and the amount of OID allocable to all prior accrual periods, reduced by the amount of all payments other than payments of qualified stated interest (if any) made with respect to such Note in all prior accrual periods. In the case of an Original Issue Discount Note that is a Floating Rate Note, both the “yield to maturity” and “qualified stated interest” will generally be determined for these purposes as though the Original Issue Discount Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to the interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield that is reasonably expected for the Note. (Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index.) As a result of this “constant yield” method of including OID in income, the amounts includible in income by a U.S. holder in respect of an Original Issue Discount Note denominated in U.S. dollars generally are lesser in the early years and greater in the later years than the amounts that would be includible on a straight-line basis.

A U.S. holder generally may make an irrevocable election to include in its income its entire return on a Note (that is, the excess of all remaining payments to be received on the Note, including payments of qualified stated interest, over the amount paid by such U.S. holder for such Note) under the constant-yield method described above. For Notes purchased at a premium or bearing market discount in the hands of the U.S. holder, the U.S. holder making such election will also be deemed to have made the election (discussed below in “*Premium and market discount*”) to amortize premium or to accrue market discount in income currently on a constant-yield basis.

In the case of an Original Issue Discount Note that is also a Foreign Currency Note, a U.S. holder should determine the U.S. dollar amount includible in income as OID for each accrual period by (a) calculating the amount of OID allocable to each accrual period in the relevant foreign currency using the constant-yield method described above, and (b) translating the amount of the foreign currency so derived at the average exchange rate in effect during that accrual period (or portion thereof within a U.S. holder’s taxable year) or, at the U.S. holder’s election (as described above under “*Payments of interest*”), at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. Because exchange rates may fluctuate, a U.S. holder of an Original Issue Discount Note that is also a Foreign Currency Note may recognize a different amount of OID income in each accrual period than would the holder of an otherwise similar Original Issue Discount Note denominated in U.S. dollars. All payments on an Original Issue Discount Note (other than payments of qualified stated interest) will generally be viewed first as payments of previously accrued OID (to the extent thereof), with payments attributed first to the earliest-accrued OID, and then as payments of principal. Upon the receipt of an amount attributable to OID (whether in connection with a payment of an amount that is not qualified stated interest or the sale or retirement of the Original Issue Discount Note), a U.S. holder will recognize ordinary income or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the Original Issue Discount Note, as the case may be) and the amount accrued (using the exchange rate applicable to such previous accrual).

A subsequent U.S. holder of an Original Issue Discount Note that purchases the Note at a cost less than its remaining redemption amount (as defined below), or an initial U.S. holder that purchases an Original Issue Discount Note at a price other than the Note’s issue price, also generally will be required to include in gross income the daily portions of OID, calculated as described above. However, if the U.S. holder acquires the Original Issue Discount Note at a price greater than its adjusted issue price, such U.S. holder is required to reduce its periodic inclusions of OID income to reflect the premium paid over the adjusted issue price. The “remaining redemption amount” for a Note is the total of all future payments to be made on the Note other than payments of qualified stated interest.

Floating Rate Notes generally will be treated as “variable rate debt instruments” under the OID Regulations. Accordingly, the stated interest on a Floating Rate Note generally will be treated as qualified stated interest and such a Note will not have OID solely as a result of the fact that it provides for interest at a variable rate. If a Floating Rate Note does not qualify as a “variable rate debt instrument,” such Note will be subject to special rules (the “**Contingent Payment**

**Regulations**”). See “*Notes providing for contingent payments*” and “*Foreign Currency CPDI Notes*” below.

The Issuer will indicate in the applicable Final Terms whether any Notes are issued with OID.

### **Premium and market discount**

A U.S. holder of a Note that purchases the Note at a cost greater than its remaining redemption amount will be considered to have purchased the Note at a premium, and may elect to amortize such premium (as an offset to interest income), using a constant-yield method, over the remaining term of the Note. Such election, once made, generally applies to all bonds held or subsequently acquired by the U.S. holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS. A U.S. holder that elects to amortize such premium must reduce its tax basis in a Note by the amount of the premium amortized during its holding period. Original Issue Discount Notes purchased at a premium will not be subject to the OID rules described above. In the case of premium in respect of a Foreign Currency Note, a U.S. holder should calculate the amortization of such premium in the specified currency. Amortization deductions attributable to a period reduce interest payments in respect of that period and therefore are translated into U.S. dollars at the exchange rate used by the U.S. holder for such interest payments. Exchange gain or loss will be realized with respect to amortized bond premium on such a Note based on the difference between the exchange rate on the date or dates such premium is recovered through interest payments on the Note and the exchange rate on the date on which the U.S. holder acquired the Note. With respect to a U.S. holder that does not elect to amortize bond premium, the amount of bond premium will be included in the U.S. holder’s tax basis when the Note matures or is disposed of by the U.S. holder. Therefore, a U.S. holder that does not elect to amortize such premium and that holds the Note to maturity generally will be required to treat the premium as capital loss when the Note matures.

If a U.S. holder of a Note purchases the Note at a price that is lower than its remaining redemption amount, or in the case of an Original Issue Discount Note, its adjusted issue price, by at least 0.25% of its remaining redemption amount multiplied by the number of remaining whole years to maturity, the Note will be considered to have “market discount” in the hands of such U.S. holder. In such case, gain realized by the U.S. holder on the disposition of the Note generally will be treated as ordinary income to the extent of the market discount that accrued on the Note while held by such U.S. holder. In addition, the U.S. holder could be required to defer the deduction of a portion of the interest paid on any indebtedness incurred or maintained to purchase or carry the Note. In general terms, market discount on a Note will be treated as accruing ratably over the term of such Note, or, at the election of the holder, under a constant-yield method. Market discount on a Foreign Currency Note will be accrued by a U.S. holder in the relevant foreign currency. The amount includible in income by a U.S. holder in respect of such accrued market discount will be the U.S. dollar value of the amount accrued, generally calculated at the exchange rate in effect on the date that the Note is disposed of by the U.S. holder.

A U.S. holder may elect to include market discount in income on a current basis as it accrues (on either a ratable or constant-yield basis), in lieu of treating a portion of any gain realized on a sale of a Note as ordinary income. If a U.S. holder elects to include market discount on a current basis, the interest deduction deferral rule described above will not apply. Any accrued

market discount on a Foreign Currency Note that is currently includible in income will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. holder's taxable year). Any such election, if made, applies to all market discount bonds acquired by the taxpayer on or after the first day of the first taxable year to which such election applies and is revocable only with the consent of the IRS.

### **Short-Term Notes**

The rules set forth above will also generally apply to Notes having maturities of not more than one year ("**Short-Term Notes**"), but with certain modifications.

First, the OID Regulations treat none of the interest on a Short-Term Note as qualified stated interest. Thus, all Short-Term Notes will be Original Issue Discount Notes. OID will be treated as accruing on a Short-Term Note ratably, or at the election of a U.S. holder, under a constant yield method.

Second, a U.S. holder of a Short-Term Note that uses the cash method of tax accounting and is not a bank, securities dealer, regulated investment company or common trust fund, and does not identify the Short-Term Note as part of a hedging transaction, will generally not be required to include OID in income on a current basis. Such a U.S. holder may not be allowed to deduct all of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry such Note until the Maturity of the Note or its earlier disposition in a taxable transaction. In addition, such a U.S. holder will be required to treat any gain realized on a sale, exchange or retirement of the Note as ordinary income to the extent such gain does not exceed the OID accrued with respect to the Note during the period the U.S. holder held the Note. Notwithstanding the foregoing, a cash-basis U.S. holder of a Short-Term Note may elect to accrue OID into income on a current basis or to accrue the "acquisition discount" on the Note under the rules described below. If the U.S. holder elects to accrue OID or acquisition discount, the limitation on the deductibility of interest described above will not apply.

A U.S. holder using the accrual method of tax accounting and certain cash-basis U.S. holders (including banks, securities dealers, regulated investment companies and common trust funds) generally will be required to include original issue discount on a Short-Term Note in income on a current basis. Alternatively, a U.S. holder of a Short-Term Note can elect to accrue the "acquisition discount," if any, with respect to the Note on a current basis. If such an election is made, the OID rules will not apply to the Note. Acquisition discount is the excess of the Short-Term Note's stated redemption price at maturity (that is, all amounts payable on the Short-Term Note) over the purchase price. Acquisition discount will be treated as accruing ratably or, at the election of the U.S. holder, under a constant-yield method based on daily compounding.

Finally, the market discount rules will not apply to a Short-Term Note.

### **Notes providing for contingent payments**

Fixed Rate Reset Notes, Convertible Interest Basis Notes, Floating Rate Notes that do not qualify as "variable rate debt instruments", and any other Notes that provide for contingent payments (including pursuant to an Issuer Call option) may (depending on their terms) be treated as contingent payment debt instruments for U.S. federal income tax purposes (any Notes that are contingent payment debt instruments, "**CPDI Notes**"). CPDI Notes will be



subject to the OID Regulations and a U.S. holder will be required to accrue income on the CPDI Notes as set forth below, provided that the Note has a term of more than one year and does not provide for payments in a foreign currency or determined by reference to a foreign currency or any debt obligation denominated in a foreign currency. For CPDI Notes denominated in a foreign currency, see below under “*Foreign Currency CPDI Notes*”.

At the time the CPDI Notes are issued, the Issuer will be required to determine a “comparable yield” for the CPDI Notes that takes into account the yield at which the Issuer could issue a fixed rate debt instrument with terms similar to those of the CPDI Notes (including the level of subordination, term, timing of payments and general market conditions, but excluding any adjustments for liquidity or the riskiness of the contingencies with respect to the CPDI Notes). The comparable yield may be greater than or less than the stated interest rate, if any, with respect to the CPDI Notes.

Solely for purposes of determining the amount of interest income that a U.S. holder will be required to accrue, the Issuer will be required to construct a “projected payment schedule” in respect of the CPDI Notes representing a series of payments the amount and timing of which would produce a yield to maturity on the CPDI Notes equal to the comparable yield. NEITHER THE COMPARABLE YIELD NOR THE PROJECTED PAYMENT SCHEDULE CONSTITUTES A REPRESENTATION BY THE ISSUER REGARDING THE ACTUAL AMOUNT THAT THE CPDI NOTES WILL PAY. For U.S. federal income tax purposes, a U.S. holder is required to use the comparable yield and the projected payment schedule established by the Issuer in determining interest accruals and adjustments in respect of a CPDI Note, unless such U.S. holder timely discloses and justifies the use of other accruals and adjustments to the IRS.

Based on the comparable yield and the issue price of the CPDI Notes, a U.S. holder of a CPDI Note (regardless of accounting method) will be required to accrue as OID the sum of the daily portions of interest on the CPDI Note for each day in the taxable year on which the holder held the CPDI Note, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the CPDI Note (as set forth below). The daily portions of interest in respect of a CPDI Note are determined by allocating to each day in an accrual period the taxable portion of interest on the CPDI Note that accrues in the accrual period. The amount of interest on a CPDI Note that accrues in an accrual period is the product of the comparable yield on the CPDI Note (adjusted to reflect the length of the accrual period) and the adjusted issue price of a CPDI Note. The adjusted issue price of a CPDI Note at the beginning of the first accrual period will equal its issue price and for any accrual period thereafter will be (x) the sum of the issue price of such CPDI Note and any interest previously accrued thereon by a holder (disregarding any positive or negative adjustments) minus (y) the amount of any projected payments on the CPDI Note for previous accrual periods.

A U.S. holder will be required to recognize interest income equal to the amount of any positive adjustment (*i.e.*, the excess of actual payments over projected payments) in respect of a CPDI Note for a taxable year. A negative adjustment (*i.e.*, the excess of projected payments over actual payments) in respect of a CPDI Note for a taxable year (i) will first reduce the amount of interest in respect of the CPDI Note that a U.S. holder would otherwise be required to include in income in the taxable year and (ii) to the extent that the negative adjustment exceeds the amount described in (i), will give rise to an ordinary loss, up to the amount by which the holder’s total interest inclusions on the debt instrument in prior taxable years exceed the total amount of

the holder's net negative adjustments treated as ordinary loss on the debt instrument in prior taxable years. A net negative adjustment is not subject to the two percent floor limitation imposed on miscellaneous deductions under section 67 of the Code. Any negative adjustment in excess of the amounts described above in (i) and (ii) will be carried forward to offset future interest income in respect of the CPDI Note or to reduce the amount realized on a sale, exchange or retirement of the CPDI Note.

If a U.S. holder purchases a CPDI Note for an amount that differs from its adjusted issue price, the general rules discussed above under "*Premium and market discount*" will not apply. Instead, the U.S. holder must reasonably determine the extent to which the difference between the price the holder paid for the CPDI Note and its adjusted issue price is attributable to a change in expectations as to the projected contingent payments, a change in interest rates, or both, and make certain adjustment. U.S. holders should consult their tax advisors regarding these adjustments.

Upon a sale, exchange or retirement of a CPDI Note (including a repurchase or redemption of the Note at the option of the Issuer or the holder), a U.S. holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and such holder's tax basis in the CPDI Note. A U.S. holder's tax basis in a CPDI Note will equal the cost thereof, increased by the amount of interest income previously accrued by the holder in respect of the CPDI Note (disregarding any positive or negative adjustment) and decreased by the amount of all prior projected payments in respect of the CPDI Note. A U.S. holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions over the total negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. If there are no remaining contingent payments under the projected payment schedule at the time of the sale, exchange or retirement of the CPDI Note, any gain or loss recognized by the holder generally will be capital gain or loss.

The tax consequences to a U.S. holder of a Short-Term Note that provides for contingent payments are not clear. Under the special rules applicable to Short-Term Notes, a U.S. holder using an accrual method of accounting generally is required to accrue OID with respect to a Note, as described above. However, the rules applicable to Short-Term Notes do not address how to accrue income with respect to a future contingent payment. Moreover, the Contingent Payment Regulations that require U.S. holders to accrue interest income regardless of their method of accounting do not apply to Short-Term Notes. Taxpayers using an accrual method of accounting generally are not required to include amounts in income until all the events have occurred that fix the right to receive the income and the amount of the income can be determined with reasonable accuracy. Accordingly, although no assurances can be provided in this regard, it appears that in the case of contingent payment Short-Term Notes, a U.S. holder using the accrual method of accounting should not be required to include amounts in income prior to the date on which the amount of such payment becomes fixed, while a U.S. holder using the cash method of accounting generally should include such amounts in income at the time that such payment is received.

The Issuer will indicate in the applicable Final Terms or whether any Fixed Rate Reset Notes, Convertible Interest Basis Notes, Floating Rate Notes or any other Notes that provide for contingent payments are CPDI Notes. If the Final Terms indicate that any Notes are CPDI Notes, please contact Nigel Smith (Senior Functional Specialist) at Santander UK Plc, 2 Triton

Square, Regent's Place, London NW1 3AN (Direct Tel: +44 (0)20 7756 4253 / Switchboard: +44 (0)800 389 7000) to obtain the comparable yield and projected payment schedule for the Notes.

### **Foreign Currency CPDI Notes**

Special rules apply to debt instruments held by U.S. persons that would be subject to the CPDI rules but for the fact that payments are denominated in, or determined by reference to, a currency other than the U.S. dollar (such notes, "**Foreign Currency CPDI Notes**"). The general method applicable under the Contingent Payment Regulations is applied, with the calculations (including the determination of the comparable yield) performed in the currency in which the instrument is denominated. The amount of interest accrued for each period then generally is translated into U.S. dollars at the average exchange rate for the period. Positive adjustments generally are translated at the spot rate on the last day of the relevant period. Negative adjustments are translated either at the rate used to translate the interest income that the adjustment offsets or the spot rate on the date that the instrument was issued or acquired.

Foreign currency gain or loss (that is, gain or loss attributable to fluctuations in the value of the foreign currency) will not be recognized with respect to a net positive or negative adjustment. Foreign currency gain or loss with respect to accrued interest will be (a) the amount of interest paid, translated into U.S. dollars at the spot rate on the date of payment, minus (2) the amount of interest paid, translated into U.S. dollars at the spot rate on the date the interest was accrued. Foreign currency gain or loss with respect to payments of principal will equal (1) the amount of principal paid, translated into U.S. dollars at the spot rate on the date of payment, minus (2) the amount of principal paid, translated into U.S. dollars at the spot rate on the date the Note was issued (or, if later, acquired). Complex ordering rules apply to determine whether a particular payment with respect to a Foreign Currency CPDI Note represents interest or principal, U.S. holders should consult their tax advisors regarding the application of these rules.

### **Foreign Account Tax Compliance Act**

As a result of Sections 1471 through 1474 of the Code and related Treasury regulations (collectively, "**FATCA**") and related intergovernmental agreements, investors in the Notes may be required to provide information and tax documentation regarding their tax identities as well as that of their direct and indirect owners. It is also possible that payments on Notes made on or after 1 January, 2017 may be subject to a withholding tax of 30%. The Issuer will not pay additional amounts on account of any withholding tax imposed by FATCA.

Pursuant to the intergovernmental agreement relating to FATCA between the United States and the United Kingdom (the "**U.S.-UK IGA**") and applicable UK regulations implementing the U.S.-UK IGA, the Issuer may be required to comply with certain reporting requirements. Investors in the Notes may therefore be required to provide information and tax documentation regarding their identities as well as that of their direct and indirect owners and this information may be reported to the Commissioners for Her Majesty's Revenue & Customs, and ultimately to the IRS. Assuming the Issuer complies with any applicable reporting requirements pursuant to the U.S.-UK IGA, the Issuer should not be subject to withholding tax under FATCA on payments it receives.

FATCA is particularly complex. Each prospective investor should consult its own tax adviser to obtain a more detailed explanation of FATCA and to learn how this legislation might affect such investor in its particular circumstances.

### **Information reporting and backup withholding**

Information returns may need to be filed with the IRS with respect to payments made to certain U.S. holders of Notes. In addition, certain U.S. holders may be subject to backup withholding tax in respect of such payments if they do not provide their taxpayer identification numbers and certify that they are not subject to backup withholding or otherwise establish an exception from backup withholding. Persons holding Notes who are not U.S. holders may be required to comply with applicable certification procedures to establish that they are not U.S. holders in order to avoid the application of such information reporting requirements and backup withholding tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against a U.S. holder's U.S. federal income tax liability, if any, or as a refund, provided the required information is timely furnished to the IRS.

### **Reportable transactions**

A U.S. taxpayer that participates in a "reportable transaction" is required to disclose its participation to the IRS. Under the relevant rules, a U.S. holder may be required to treat a foreign currency exchange loss from Foreign Currency Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (U.S.\$50,000 in a single taxable year, if the U.S. holder is an individual or trust, or higher amounts for other non-individual U.S. holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.\$10,000 in the case of a natural person and U.S.\$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisors regarding the application of these rules.

**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 4 September 2015 agreed with the Issuer 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 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 Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation 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 Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of 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 Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation 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 of 1986 and regulations thereunder. The applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) 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 unless made pursuant to Rule 144A or another exemption from 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 acknowledges that transfers by the holder of, or of a beneficial interest in, a Rule 144A Note to a transferee taking delivery of such interest through a Regulation S Note; or, prior to the expiry of the Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Note to a transferee taking delivery of such interest through a Rule 144A Note are conditioned on the requirement that the transferor provide the Registrar and the Transfer 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 the Notes will bear the legends in the forms set out below.
- (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 Rule 144A Note will bear a legend to the following effect:

“THE NOTES REPRESENTED BY THIS [GLOBAL][DEFINITIVE] NOTE 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 - include for Rule 144A Global Notes][THE REGISTERED OWNER HEREOF - include for definitive notes], BY PURCHASING OR OTHERWISE ACQUIRING THE NOTES IN RESPECT OF WHICH THIS [GLOBAL][DEFINITIVE] 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 - include for Rule 144A Global Notes], (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 (“RULE 144A”), (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 THE SECURITIES 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; 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 AND THE TRANSFER AGENT A TRANSFER CERTIFICATE (THE FORM OF WHICH IS ATTACHED TO THE AGENCY AGREEMENT AND CAN BE OBTAINED FROM THE REGISTRAR AND THE TRANSFER AGENT), [AND (2) TO EXCHANGE THE PORTION OF THIS GLOBAL NOTE TO BE SO TRANSFERRED FOR AN INTEREST IN A REGULATION S GLOBAL NOTE OR A DEFINITIVE NOTE TO BE REGISTERED IN THE NAME OF THE TRANSFEREE - include for Rule 144A Global Notes].

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][DEFINITIVE] NOTE [OR AN INTEREST HEREIN - include for Rule 144A Global Notes] AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE [OR AN INTEREST HEREIN - include for Rule 144A Global Notes] 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 Note will bear a legend to the following effect:

"THE NOTES REPRESENTED BY THIS [GLOBAL][DEFINITIVE] NOTE 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. - include for Regulation S Global Notes] [BY PURCHASING OR OTHERWISE ACQUIRING THE NOTES REPRESENTED BY THIS GLOBAL NOTE, THE HOLDER - include for Regulation S Global Notes][THE OWNER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS DEFINITIVE NOTE IS ISSUED, - include for definitive notes] AGREES FOR THE BENEFIT OF THE ISSUER THAT, IF IT SHOULD DECIDE TO DISPOSE OF THE NOTES REPRESENTED BY THIS NOTE PRIOR TO THE DATE WHICH IS 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF THE NOTES REPRESENTED BY THIS [GLOBAL][DEFINITIVE] NOTE, THE NOTES REPRESENTED BY THIS [GLOBAL][DEFINITIVE] NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DELIVERED 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 IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, OR (B) OTHERWISE TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS 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 AND THE TRANSFER AGENT A TRANSFER CERTIFICATE (THE FORM OF WHICH IS ATTACHED TO THE AGENCY AGREEMENT AND CAN BE OBTAINED FROM THE REGISTRAR AND THE TRANSFER AGENT), [AND (2) TO EXCHANGE THE PORTION OF THIS GLOBAL NOTE TO BE SO TRANSFERRED FOR AN INTEREST IN A RULE 144A GLOBAL NOTE OR A DEFINITIVE NOTE TO BE REGISTERED IN THE NAME OF THE TRANSFEREE - include for Regulation S Global Notes].

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 REGULATIONS UNDER THE SECURITIES ACT.”

In the case of a Registered Global Note registered in the name of Cede & Co. as nominee (or another nominee) of The Depository Trust Company, the following paragraph shall also appear in the legend:

“UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY REGISTERED NOTE ISSUED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUIRED BY ANY AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.”

***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 (or, in the case of Exempt Notes, the Pricing Supplement) 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 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 (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

### ***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; 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, in the case of Exempt Notes, the applicable Pricing Supplement) 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**”) as 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 a communication made in any form and by any mean, directed at 150 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.

### ***United Arab Emirates (excluding the Dubai International Financial Centre)***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it

in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

### ***The Dubai International Financial Centre***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an Exempt Offer in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the “**DFSA**”); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

### ***Indonesia***

The Notes have not been offered or sold and will not be offered or sold in Indonesia or to Indonesian nationals, corporations or to Indonesian citizens, wherever they are domiciled or to Indonesian residents, including by way of invitation, offering or advertisement, and neither the Prospectus nor any other offering materials relating to the Notes have been distributed, or will be distributed, in Indonesia or to Indonesian nationals, corporations or residents in a manner which constitutes a public offering of the Notes under the laws or regulations of the Republic of Indonesia.

### ***Malaysia***

The Notes may not be offered, sold, transferred or otherwise disposed directly or indirectly, nor may any document or other material in connection therewith be distributed, other than to a person to whom an offer or invitation to subscribe or purchase the Notes and to whom the Notes are issued would fall within:

- (a) Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) of The Capital Market and Services Act 2007 (“**CMSA**”); read together with
- (b) Schedule 8 or Section 257(3) of the CMSA,

as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time.

### ***General***

Each Dealer has severally agreed, and each further Dealer appointed under the Programme will be required to agree, with the Issuer that it will observe all applicable laws and regulations in any jurisdiction in which it may offer, sell or deliver 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 and the Dealers following a change in a relevant law, regulation or directive.

## GENERAL INFORMATION

### 1. Incorporation

Santander UK Group Holdings plc was incorporated in England and Wales on 23 September 2013 with registered number 08700698.

### 2. Authorisation

The commencement 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 Santander UK Group Holdings Plc dated 27 July 2015. Pursuant to such resolutions, authority was delegated to a committee formed of any two directors of Santander UK Group Holdings plc or one director and the Company Secretary of Santander UK Group Holdings plc to authorise the commencement of the Programme.

### 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 9 September.

### 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 at the specified office of the Principal Paying Agent (and items (i), (iv) and (v) will be available for collection free of charge):

- (i) the articles of association of the Issuer;
- (ii) the consolidated and non-consolidated audited financial statements of the Issuer in respect of the financial year ended 31 December 2014;
- (iii) the Programme Agreement, the Agency Agreement and the Trust Deed (which contains 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 and Pricing Supplements (save that Final Terms and Pricing Supplements 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 (or, in the case of Exempt Notes, the applicable Pricing Supplement). 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 (or, in the case of Exempt Notes, the applicable Pricing Supplement). If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

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 and its subsidiaries since 30 June 2015, being the date of its last published financial unaudited consolidated statements.

There has been no material adverse change in the financial position or prospects of the Issuer and its subsidiaries since 31 December 2014, being the date of its last published consolidated annual financial statements.

## **7. Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or had, in the 12 months prior to the date hereof, a significant effect on the financial position or profitability of the Santander UK Group, the Issuer and its subsidiaries.

## **8. Auditors**

The annual financial statements of the Issuer and the annual consolidated financial statements of the Group for the year ended 31 December 2014 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 and the Group have no material interest in the Issuer 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. However, the Trustee will have no recourse to the auditors in respect of such certificates or reports unless the auditors have agreed to address such certificates or reports to the Trustee.

**9. 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.

**10. Programme Ratings**

As at the date of this Prospectus, the long-term obligations of the Issuer are rated BBB by S&P, Baa2 by Moody's and A by Fitch, and the short-term obligations of the Issuer are rated A-2 by S&P and F-1 by Fitch.

**11. 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.

**12. Post Issuance Information**

The Issuer does not intend to provide any post-issuance information in relation to any issue of Notes.

**13. 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 (or, in the case of Exempt Notes, the applicable Pricing Supplement). 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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