

Base Prospectus dated 10 May 2012

Standard Life

STANDARD LIFE PLC

(a public company incorporated with limited liability in Scotland with registered number SC286832)

EUR3,000,000,000

Euro Medium Term Note Programme

with the option for notes to be guaranteed by

Standard Life Assurance Limited

(a public company incorporated with limited liability in Scotland with registered number SC286833)

Under this EUR3,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), Standard Life plc (the "**Issuer**" or "**Standard Life**") may from time to time issue senior notes (the "**Senior Notes**") and subordinated notes (the "**Subordinated Notes**") denominated in any currency agreed between the Issuer, Standard Life Assurance Limited (the "**Guarantor**" or "**Standard Life Assurance**") and the relevant Dealer (as defined below) (together, the "**Notes**"). The Senior Notes may be issued with the benefit of a guarantee (the "**Senior Guarantee**") of the Guarantor and the Subordinated Notes may be issued with the benefit of a guarantee (the "**Subordinated Guarantee**") of the Guarantor, in each case only if so specified in the relevant Final Terms. The Issuer, the Guarantor and their respective subsidiaries are referred to herein as the "**Group**".

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed EUR3,000,000,000 (or its equivalent in other currencies, calculated as described in the Dealer 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 by the Issuer and, where applicable, the Guarantor (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "Relevant Dealer" shall, in relation to an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all the Dealers agreeing to subscribe for such Notes, or, in the case of a syndicated issue of Notes, the lead manager of such issue, as the case may be.

Applications have been made to admit Notes to be issued under the Programme during the period of 12 months after the date hereof to listing on the Official List of the Financial Services Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**"), the "**FSA**") and to trading on the London Stock Exchange plc's Regulated Market (the "**London Stock Exchange**"). The London Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "Terms and Conditions of the Senior Notes" and "Terms and Conditions of the Subordinated Notes") of Notes will be set out in the final terms which, with respect to Notes to be admitted to the Official List of the FSA, will be delivered to the FSA and the London Stock Exchange on or before the date of issue of the Notes of such Tranche. In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (2003/71/EC), the minimum specified denomination shall be EUR100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The Programme also permits Notes to be issued on an unlisted basis or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

The Issuer and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Senior Notes or by the Terms and Conditions of the Subordinated Notes, as the case may be, herein, in which event (in the case of Notes admitted to the Official List of the FSA only) a drawdown prospectus or supplement to this Base Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations under the Notes are discussed under "Risk Factors" below.

For the purposes of Regulation (EC) No 1060/2009 on credit rating agencies (the "**CRA Regulation**") the credit ratings included or referred to in this Prospectus have been issued by Moody's Investors Service Limited ("**Moody's**") and Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"). Each of Moody's and Standard & Poor's is established in the European Union and is registered under the CRA Regulation. Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to Notes already issued. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arranger

Barclays

Dealers

Barclays

BofA Merrill Lynch

Deutsche Bank

HSBC

J.P. Morgan

The Royal Bank of Scotland

UBS Investment Bank

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IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “**Prospectus Directive**”).

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each Tranche (as defined herein) of Senior Notes will be issued on the terms set out herein under “Terms and Conditions of the Senior Notes” (the “**Conditions of the Senior Notes**”) as amended and/or supplemented by a document specific to such Tranche called final terms (the “**Final Terms**”) or in a separate prospectus specific to such Tranche (the “**Drawdown Prospectus**”) as described under “Final Terms and Drawdown Prospectuses” below. Each Tranche of Subordinated Notes will be issued on the terms set out herein under “Terms and Conditions of the Subordinated Notes” (the “**Conditions of the Subordinated Notes**” and, together with the Conditions of the Senior Notes, the “**Conditions**”) as amended and/or supplemented by the Final Terms or Drawdown Prospectus related to such Tranche. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. This Base Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

The Issuer and the Guarantor have confirmed to the Dealer named under “Subscription and Sale” that this Base Prospectus contains all information which is (in the context of the Programme and the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme and the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, any Dealer or the Trustee.

To the fullest extent permitted by law, none of the Arranger, any Dealer, any of their respective affiliates or any other party, other than the Issuer and the Guarantor, has separately verified the information contained in or authorised the whole or any part of this Base Prospectus and accordingly none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus or any other financial statement or any further information supplied in connection with the Notes or their distribution. Neither the Dealer nor the Trustee accepts any liability, whether arising in tort or contract or otherwise, in relation to the information contained in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has most recently been amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the Guarantor since the date

hereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be EUR100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantor and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "Subscription and Sale". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

This Base Prospectus does not, nor do any Final Terms, constitute an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantor, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed EUR3,000,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into euro on the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "Subscription and Sale".

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risk of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

In this Base Prospectus, unless otherwise specified, references to a “Member State” are references to a Member State of the European Economic Area, references to “U.S.\$”, “U.S. dollars” or “dollars” are to United States dollars, references to “EUR” or “euro” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, references to “sterling” and “£” are to the lawful currency of the United Kingdom, references to “Japanese yen” and “¥” are to the lawful currency of Japan, references to “Swiss Francs” and “CHF” are to the lawful currency of Switzerland, references to “Australian Dollar”, “A\$” and “AUD” are to the lawful currency of Australia and references to “Canadian dollar”, “C\$” and “CAD” are to the lawful currency of Canada.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms or a Drawdown Prospectus in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer, the Guarantor or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case in relation to such offer. Neither the Issuer, the Guarantor nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer, the Guarantor or any Dealer to publish or supplement a prospectus for such offer.

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

OVERVIEW OF THE PROGRAMME

Words and expressions defined in “Terms and Conditions of the Senior Notes” and “Terms and Conditions of the Subordinated Notes” or elsewhere in this Base Prospectus have the same meanings in this overview of the Programme.

Issuer:	Standard Life plc.
Guarantor:	Standard Life Assurance Limited. The Notes will only be issued with the benefit of the Senior Guarantee or the Subordinated Guarantee (as the case may be) if so specified in the relevant Final Terms.
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. There are certain factors which may affect the Issuer’s and the Guarantor’s abilities to fulfil their respective obligations in respect of Notes issued under the Programme. Risk factors identified include general business risk factors which may affect the ability of the Issuer or the Guarantor to fulfil their respective obligations under the Notes issued under the Programme. Some of these general business risk factors include (i) the profitability of the business of the Issuer and/or the Guarantor being adversely affected by a worsening of general economic conditions in the United Kingdom or globally, (ii) operational risks and losses resulting from matters such as fraud or error and (iii) risks relating to the financial services industry, including changes in interest rate levels, credit spreads and foreign exchange rates. Other risks identified by the Issuer and the Guarantor are specific to the Notes and include (a) there being no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes, (b) that the Notes may be redeemed prior to maturity, (c) that investors will have to rely on the procedures of Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the Issuer and (d) in the case of any particular Tranche of Subordinated Notes, the risks associated with the Subordinated Notes being subordinated to most of the Issuer’s and, where relevant, the Guarantor’s liabilities, other than those which are similarly subordinated.
Arranger:	Barclays Bank PLC.
Dealers:	Barclays Bank PLC, Deutsche Bank AG, London Branch, HSBC Bank plc, J.P. Morgan Securities Ltd., Merrill Lynch International, The Royal Bank of Scotland plc, UBS Limited and any other Dealer appointed from time to time by the Issuer and, where relevant, the Guarantor, either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Trustee:	HSBC Corporate Trustee Company (UK) Limited.

Principal Paying Agent and Registrar:	HSBC Bank plc.
Final Terms or Drawdown Prospectus:	Notes issued under the Programme may be issued either (i) pursuant to this Base Prospectus and associated Final Terms or (ii) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Conditions of the Senior Notes or the Conditions of the Subordinated Notes (as the case may be) as supplemented.
Listing and Trading:	Applications have been made for Notes to be admitted during the period of 12 months after the date hereof to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
Initial Programme Amount:	Up to EUR3,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time.
Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects, save that a Tranche may comprise Notes of different denominations.
Forms of Notes:	Notes may be Bearer Notes or Registered Notes. Each Tranche of Notes in bearer form will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a " Classic Global Note " or " CGN "), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, and each Global Note which is intended to be issued in new global note form (a " New Global Note " or " NGN "), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial

ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Each Tranche of Notes represented by a Global Note Certificate will either be: (i) in the case of a Note which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg, and the relevant Global Note Certificate will be deposited on or about the issue date with the common depository; or (ii) in the case of a Note to be held under the New Safekeeping Structure, registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg, and the relevant Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Registered Notes which are delivered outside any clearing system will be represented by individual certificates ("**Individual Note Certificates**"), one Individual Note Certificate being issued in respect of each holder's entire holding of Registered Notes of one Series.

Currencies:

Notes may be denominated in any currency or currencies or may be set out in the relevant Final Terms, including, without limitation, euro, Japanese yen, sterling, Swiss Francs and U.S. dollars, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to any currency or currencies other than the currency in which such Notes are denominated.

Status of the Senior Notes:

Senior Notes will constitute direct, unconditional and unsecured obligations of the Issuer and will rank equally with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Status of the Senior Guarantee:

If the Senior Guarantee is specified as applicable in the relevant Final Terms, the payment obligations of the Guarantor under the Senior Guarantee will constitute direct, unconditional and unsecured obligations of the Guarantor and will rank equally with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Status of the Subordinated Notes:	If the Subordinated Guarantee is specified as applicable in the relevant Final Terms, the Subordinated Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank <i>pari passu</i> and without any preference among themselves. In the event of the winding-up of the Issuer, the payment obligations of the Issuer under or arising from the Subordinated Notes shall be subordinated to the claims of all Issuer Senior Creditors, but shall rank at least <i>pari passu</i> with all other Issuer <i>Pari Passu</i> Securities, and shall rank in priority to the claims of holders of Issuer Junior Securities, all as more fully described in Condition 5 (<i>Status and Subordination of the Subordinated Notes</i>) of the Subordinated Notes.
Status of the Subordinated Guarantee:	If the Subordinated Guarantee is specified as applicable in the relevant Final Terms, the payment obligations of the Guarantor under the Subordinated Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor. In the event of the winding-up of the Guarantor, the payment obligations of the Guarantor under or arising from the Subordinated Notes shall be subordinated to the claims of all Guarantor Senior Creditors, but shall rank at least <i>pari passu</i> with all Guarantor <i>Pari Passu</i> Securities and shall rank in priority to the claims of holders of Guarantor Junior Securities, all as more fully described in Condition 6 (<i>Guarantee; Status and Subordination of the Subordinated Guarantee</i>) of the Subordinated Notes.
Issue Price:	Senior Notes may be issued at par or at a premium or discount to par and on either a full or partly-paid basis, as specified in the relevant Final Terms. Subordinated Notes may be issued at par or at a premium or discount to par on a fully-paid basis, as specified in the relevant Final Terms.
Maturities:	In respect of the Senior Notes, any maturity between seven days and 30 years, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Subject to compliance with all relevant laws, regulations, directives and requirements of the FSA, the Subordinated Notes may have any maturity.
Redemption:	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Unless permitted by then current laws and regulations, Senior Notes which have a maturity of less than one year must have a minimum redemption amount of £100,000 (or its equivalent in other currencies). Redemption of Subordinated Notes prior to their stated maturity is subject to prior written notice to, and the absence of objection from, the FSA, as more fully described in Condition 10 (<i>Redemption, Substitution, Variation, Purchase and Options</i>) of the

Subordinated Notes. Senior Notes may be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.

Optional Redemption:

Senior Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.

Early Redemption, Variation or Substitution for Taxation Reasons, Capital Disqualification Event and Rating Methodology Event:

The Subordinated Notes may, subject as provided in Condition 10 (*Redemption, Substitution, Variation, Purchase and Options*) of the Subordinated Notes, be redeemed at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption and any Arrears of Interest at the option of the Issuer, or, as the case may be, the Guarantor, on any Optional Redemption Date. In addition, upon the occurrence of a Tax Event, a Capital Disqualification Event or a Rating Methodology Event (if Rating Methodology call is specified in the relevant Final Terms), the Subordinated Notes may be (i) substituted for, or their terms varied so that they become Qualifying Dated Tier 2 Securities or Rating Agency Compliant Securities, whichever is relevant; or (ii) redeemed in the case of (x) a Tax Event, at their outstanding principal amount, (y) a Capital Disqualification Event, at the Special Redemption Price or (z) a Rating Methodology Event, at the Special Redemption Price, together, in each case, with any Arrears of Interest, all as more particularly described in Condition 10 (*Redemption, Substitution, Variation, Purchase and Options*) of the Subordinated Notes.

The Senior Notes may, subject as provided in Condition 11.2 (*Redemption for tax reasons*) of the Senior Notes, be redeemed at their Early Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption at the option of the Issuer, if the Issuer or, as the case may be, the Guarantor becomes obliged to pay additional amounts in respect of withholding tax.

Interest:

Senior Notes may be interest bearing or non-interest bearing. Subordinated Notes shall be interest bearing. Interest on Subordinated Notes shall accrue at a fixed rate or a floating rate. Interest (if any) on Senior Notes may accrue at a fixed rate or a floating rate or other variable rate or be index linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.

Interest Deferral – Subordinated Notes only:

The Issuer, or as the case may be, the Guarantor may on any Optional Interest Payment Date defer payments of interest on Subordinated Notes.

The Issuer, or as the case may be, the Guarantor, is required to defer any payment of interest on Subordinated Notes on each Mandatory Interest Deferral Date (being an

Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event or a Guarantor Regulatory Deficiency Interest Deferral Event (as applicable) has occurred and is continuing).

Denomination:

Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (2003/71/EC), the minimum specified denomination shall be at least EUR100,000 (or its equivalent in any other currency, as at the date of issue of the Notes), **provided that**, if such Senior Notes are issued: (i) at a discount, they may only be offered if their issue price expressed as a numerical value is no less than EUR100,000 (or its equivalent in any other currency); (ii) on a partly-paid basis, they may only be offered if paid up by their initial holders to at least such amount; (iii) with a denomination of precisely EUR100,000 (or its equivalent in any other currency), they may only be offered on a fully-paid basis and at par or at a premium.

Senior Notes which have a maturity of less than one year will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Subordinated Notes will have a minimum specified denomination of at least EUR100,000, provided that, if such Subordinated Notes are issued: (a) at a discount, they may only be offered if their issue price expressed as a numerical value is no less than the Sterling equivalent of EUR100,000; (b) on a partly-paid basis, they may only be offered if paid up by their initial holders to at least such amount; (c) with a denomination of precisely EUR100,000, they may only be offered on a fully-paid basis and at par or at a premium.

Other Notes:

Terms applicable to any other type of Note which the Issuer may issue under the Programme will be set out in the relevant Final Terms, **provided that** Notes may not be issued on a limited recourse basis or where payment of principal or interest is linked to the performance of the Issuer.

Negative Pledge – Senior Notes only:

The Senior Notes will contain a negative pledge prohibiting (subject to the exception set out therein) the Issuer or the Guarantor from creating security to secure any Relevant Indebtedness (as defined in the Conditions of the Senior Notes) or any guarantee or indemnity in respect of any Relevant Indebtedness of the Issuer or the Guarantor.

Cross Default – Senior Notes only:	The Senior Notes will contain a cross default clause in respect of indebtedness for moneys borrowed or raised by the Issuer or the Guarantor.
Taxation:	All payments in respect of Notes will be made free and clear of withholding taxes of the United Kingdom, unless the withholding is required by law. In that event, the Issuer, failing whom the Guarantor (if applicable) will (subject as provided in the relevant Conditions) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
Governing Law:	English law.
Enforcement of Notes:	Individual investors' rights against the Issuer and the Guarantor will be governed by an amended and restated Trust Deed between the Issuer, the Guarantor and the Trustee dated 10 May 2012, a copy of which will be available for inspection at the registered office of the Trustee.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom and Japan, see "Subscription and Sale". Further restrictions, may be required in connection with any particular Tranche of Notes and will be specified in the documentation relating to such Tranche.
Ratings:	Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to Notes already issued. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies will be disclosed in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Use of Proceeds:	The net proceeds from each issue of Notes will be applied for general purposes of the Issuer and the Guarantor and if, in respect of any particular issue, there is a particular purpose, this will be stated in the applicable Final Terms.

RISK FACTORS

Prospective investors should read the entire Base Prospectus. Words and expressions defined in the “Terms and Conditions of the Senior Notes” and in the “Terms and Conditions of the Subordinated Notes” or elsewhere in this Base Prospectus have the same meanings in this section.

Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the material risks inherent in investing in Notes issued under the Programme, but the Issuer and the Guarantor may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons. Neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Risks relating to the Group

(1) *Difficult conditions in the global capital markets and the economy generally may materially adversely affect the Group’s business and results of operations.*

The Group’s results are materially affected by conditions in the global capital markets and the economy generally. The current economic climate in Western economies following the global financial crisis and subsequent sovereign debt crisis is likely to be characterised by a larger number of economic risks than one would expect in a normal cycle. This may lead to higher volatility in asset markets as a result, as the fragilities in the system are periodically tested by investors. Governments and central banks are working to engineer a recovery through their policy actions. Both investment and economic risks will be heightened by the interaction of fiscal and monetary policy risking, at best, a further moderation in economic growth and, at worst, a return to recessionary conditions. In the shorter term, a globally loose monetary policy, has created inflationary impulses and excess liquidity that is leading to asset price bubbles in a number of emerging markets. One of the other important side effects of this policy environment has been a rise in fixed income asset price volatility and, in a number of sovereign and credit markets, heightened and in some cases extreme, credit risk being priced in. Domestic and international equity markets have also experienced volatility and disruption.

Such events and the continuing market upheavals may have an adverse effect on the Group, in part because the Group has a large investment portfolio and is dependent upon customer behaviour. This could lead to a decline in sales and profit margins could erode. In addition, the Group may experience a decline in the value of any assets which are exposed to European sovereign debt, as well as to the Group’s emerging market economies exposure. In addition, in the event of extreme prolonged adverse market conditions, such as the global credit crisis, the Group could incur significant losses in its investment portfolio.

The Group is also reliant on the operation of clearing and settlement systems in the markets in which it operates. If these systems were to cease to operate, for example due to the sudden default of a sovereign state, the sudden exit of a sovereign from the Euro-zone, or both, this could result in significant disruption to the Group’s operations.

Factors such as consumer spending, business investment, government spending, the volatility and strength of both debt and equity markets, and inflation all affect the business and economic environment and, ultimately, the volume and profitability of the Group's business. In an economic downturn characterised by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for financial and insurance products could be adversely affected. In addition, the Group may experience an elevated incidence of claims or surrenders of policies that could affect the current and future profitability of the business. A prolonged economic crisis could result in lower sales figures for the Group in the future. The Group's policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. These adverse changes in the economy could affect earnings negatively and could have a material adverse effect on the Group's business, results of operations and financial condition.

(2) *The Group's businesses are conducted in highly competitive environments with developing demographic trends, changing government policy towards savings and continued profitability depends on management's ability to respond to these pressures and trends.*

The markets for financial services in the UK, Europe, Canada and Asia are highly competitive, with several factors affecting the Group's ability to sell its products and continued profitability, including price and yields offered, financial strength and ratings, range of product lines and product quality, brand strength and name recognition, investment management performance, historical bonus levels, developing demographic trends and customer appetite for certain savings products. In some of its markets, the Group faces competitors that are larger, have greater financial resources or a greater market share, offer a broader range of products or have higher bonus rates.

Furthermore, heightened competition for talented and skilled employees and agents with local experience, particularly in Asia, may limit the Group's potential to grow its business as quickly as planned.

Within the UK, the Issuer's principal competitors in the long-term insurance and savings, corporate pensions and benefits businesses and investment management include Aviva, Legal & General, Lloyds Banking Group, Prudential, Fidelity and Blackrock.

In Canada, the Group's principal regional competitors include Great-West Life Assurance Company, Manulife Financial and Sun Life Financial.

In Asia, the Group's principal regional competitors include international financial companies, such as Allianz, AXA, ING, AIA, Prudential and Manulife. In a number of markets, local companies have a very significant market presence.

The Group believes competition will intensify across all regions in response to consumer demand, technological advances, the impact of consolidation, regulatory actions, government policy and other factors. The Group's ability to generate an appropriate return depends significantly upon its capacity to anticipate and respond appropriately to these competitive pressures.

(3) *Governmental initiatives intended to alleviate the current financial crisis that have been adopted may not be effective and, in any event, are expected to be accompanied by other initiatives, including new capital requirements or other regulations, that could materially affect results of operations, financial condition and liquidity in ways that the Group cannot predict.*

In a number of countries in which the Group operates legislation has been passed in response to the global financial crisis and subsequent sovereign debt crisis, including bank stabilisation programmes by the Government and Bank of England in the UK. This legislation or similar proposals, as well as accompanying actions, such as monetary or fiscal actions, of comparable authorities in the UK, Euro-zone and other countries, may not achieve their intended objectives and may have unintended consequences. This legislation and other proposals or actions may have other consequences, including material effects on interest rates and

foreign exchange rates, which could materially affect investments, results of operations and liquidity in ways that cannot be predicted. The failure to effectively implement, or to withdraw as appropriate, proposals or actions could also increase constraints on the liquidity available in the banking system and financial markets and increase pressure on stock prices, fixed interest yields and exchange rates, any of which could materially and adversely affect the Group's results of operations, financial condition and liquidity. In the event of future material deterioration in business conditions, the Group may need to raise additional capital or consider other transactions to manage the Group's capital position or liquidity.

In addition, the Group is subject to extensive laws and regulations that are administered and enforced by a number of different governmental authorities and non-governmental self-regulatory agencies, including the FSA and other regulators. In light of financial conditions, some of these authorities are considering, or may in the future consider enhanced or new regulatory requirements intended to prevent future crises or otherwise assure the stability of institutions under their supervision. These authorities may also seek to exercise their supervisory or enforcement authority in new or more robust ways. All of these possibilities, if they occurred, could affect the way the Group conducts business and manages capital, and may require the Group to satisfy increased capital requirements, any of which in turn could materially affect results of operations, financial condition and liquidity.

(4) *Fluctuations in the financial markets, including fixed income, equity, property and credit could affect the levels of regulatory capital that the Group must hold for regulatory solvency purposes, which could materially impact results of operations and shareholders' equity.*

The value of investment assets fluctuates, which can impact the capital levels supporting the Group's business. All insurers are required to hold an excess amount of capital over a minimum solvency amount. The Group had an Insurance Group Directive surplus of £3.8 billion as of 31 December 2010 and £3.1 billion as of 31 December 2011. An inability to meet regulatory capital requirements in the future would be likely to lead to intervention by the FSA, which could require the Group to restore regulatory capital to acceptable levels.

(5) *Market fluctuations may cause the value of options and guarantees embedded in some of the Group's products to increase and, in extreme circumstances, negatively affect the profitability of the business.*

The Group is exposed to the risk that options and guarantees (which are embedded in its UK and European with-profits business and Canadian segregated fund and universal life business) may become more onerous if market conditions have a significant downturn. In such circumstances, the Group may be required to provide support to these businesses, thereby reducing the Group's earnings and increasing the volatility of the Group's results if hedging or risk management strategies prove ineffective. By providing these guarantees and options, the Group's capital position is sensitive to fluctuations in financial variables, including interest rates, credit spreads, real estate prices and equity prices.

(6) *The Group may be subject to enhanced regulatory requirements which may affect results.*

The Group is subject to extensive laws and regulations that are administered and enforced by a number of different governmental authorities and non-governmental self-regulatory agencies, including the FSA and other regulators. In light of financial conditions, some of these authorities are considering, or may in the future consider, enhanced or new regulatory requirements intended to prevent future crises or otherwise assure the stability of institutions under their supervision. These authorities may also seek to exercise their supervisory or enforcement authority in new or more robust ways. All of these possibilities, if they occurred, could affect the way the Group conducts its business and manages capital, and may require the Group to satisfy increased capital requirements, any of which could materially affect results of operations, financial condition and liquidity.

(7) Counterparty default risk may have an adverse impact on profitability and shareholders' equity.

The Group has a significant exposure to credit default risk through investments in corporate bonds, residential and commercial mortgages, unsecured cash instruments and structured credit assets, as well as exposures through counterparty risks in derivatives contracts and reinsurance arrangements and other financial instruments. The risks in these assets and exposures may be borne by the Group or by the policyholders whose policies the assets back, or a mixture of the two, where the Group holds some residual risk such as in relation to with-profits business. A counterparty default could create an immediate loss or a reduction in future profits, depending on where the loss occurred in the business.

(8) Inability of reinsurers and insurers of the Group to meet their obligations, or the unavailability of adequate reinsurance coverage, may have an adverse impact on profitability and shareholders' equity.

The Group transfers exposure to certain risks to others through reinsurance arrangements.

When the Group obtains reinsurance, the Group remains primarily liable for the reinsured risks, regardless of whether the reinsurer meets its reinsurance obligations to the Group. Therefore, the inability or unwillingness of the Group's reinsurers to meet their financial obligations or disputes on, and defects in reinsurance contract wording or processes, could materially affect the Group's operations.

Reinsurers may become financially unsound by the time they are called upon to pay amounts due. As a result of financial market conditions and other macro-economic challenges recently affecting the global economy, reinsurers may experience increased regulatory scrutiny, serious cash flow problems and other financial difficulties. Reinsurers may also become financially unsound as a result of operational failures within their respective organisations. In addition, reinsurance may prove inadequate to protect against losses. Due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable ratings, the Group is exposed to concentrations of risk with individual reinsurers, although collateralisation mechanisms are used as appropriate. If a catastrophic event or the inability to meet financial obligations caused these reinsurers to default, the Group's business profitability and shareholders' equity could be significantly affected to the extent that any collateral mechanism also fails.

Furthermore, market conditions beyond the Group's control determine the availability and cost of the reinsurance protection purchased. Accordingly, the Group may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect the ability to write future business.

The Group is also exposed to similar risks in relation to insurance counterparties in relation to certain Group risks such as professional indemnity insurance.

(9) Some investments are relatively illiquid and are in asset classes that have been experiencing significant market valuation fluctuations.

The Group may hold certain investments that may lack liquidity, such as privately placed fixed-maturity securities, private equity and unlisted equities, as the inputs used for their valuation are not directly observable in the market.

If significant amounts of cash are required on short notice in excess of expected cash requirements it may be difficult to sell these investments in a timely manner, the Group may be forced to sell them for less than the Group otherwise would have been able to return, or both.

The reported value of relatively illiquid types of investments, investments in the asset classes described in the paragraph above and, at times, high quality, generally liquid asset classes, do not necessarily reflect the lowest current market price for the asset. If the Group were forced to sell certain assets in the current market,

there can be no assurance that the Group would be able to sell them for the prices at which they were recorded and the Group may be forced to sell them at significantly lower prices.

(10) *Adverse capital and credit market conditions may significantly affect the Group's ability to meet liquidity needs, access to capital and cost of capital.*

The capital and credit markets have been experiencing volatility and disruption over recent years. In some cases, the markets have exerted downward pressure on availability of liquidity and credit capacity for certain groups.

The Group needs liquidity to pay operating expenses, interest on debt and dividends on ordinary shares, and to meet liabilities. Without sufficient liquidity, the Group will be forced to curtail operations, and the business will suffer. The principal sources of liquidity are fees related primarily to the value of assets under management, insurance premiums and cash flow from the investment portfolio and assets, consisting mainly of cash or assets that are readily convertible into cash. Sources of liquidity in normal markets may include a variety of short-term and long-term instruments, including repurchase agreements, commercial paper, medium and long-term debt, junior subordinated debt securities, capital securities and shareholders' equity. The Group may not have access to all of these short-term and long-term instruments.

If current resources do not satisfy the Group's needs, the Group may have to seek additional financing. The availability of additional financing will depend on a variety of factors, such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, the Group's credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of the Group's long- or short-term financial prospects if the Group incurs large investment losses or if the level of business activity decreased due to a market downturn. Similarly, access to funds may be impaired if regulatory authorities or rating agencies take negative actions against the Group. Internal sources of liquidity may prove to be insufficient, and in such case, the Group may not be able to successfully obtain additional financing on favourable terms, or at all.

Disruptions, uncertainty or volatility in the capital and credit markets may also limit the Group's access to capital required to operate its business, most significantly its insurance operations. Such market conditions may limit the Group's ability to replace its maturing liabilities in a timely manner; satisfy statutory capital requirements; generate fee income and market-related revenue to meet liquidity needs; and access the capital necessary to grow the business. As such, the Group may be forced to delay raising capital, issue shorter term securities than would be preferable, or bear an unattractive cost of capital which could decrease profitability and significantly reduce financial flexibility. Consequently, the Group's results of operations, financial condition, cash flows and statutory capital position could be materially adversely affected by disruptions in the financial markets.

(11) *Changes in interest rates may reduce the value of the Group's investment portfolio, increase the burden of embedded options, guarantees and issued debt, impact asset and liability matching and cause customers to surrender their contracts, which could adversely affect the Group's results of operations and financial condition.*

The Group is exposed to changes in the shape and level of yield curves and changes in correlation of interest rates between different financial instruments (basis risk). Insurance and investment contract liabilities exposed to interest rate risk principally comprise participating and non-participating liabilities. Other financial liabilities subject to interest rate risk include derivative financial instruments, subordinated liabilities issued by the Group which are determined by a floating interest rate and other borrowings.

Due to the long-term nature of the liabilities associated with certain businesses, and guaranteed benefits on certain long-term insurance and fund management products, sustained declines in long-term interest rates may subject the Group to reinvestment risks and increased hedging costs.

Certain of the Group's life insurance businesses may be exposed to the risk that policyholders may surrender their contracts in a rising interest rate environment or for liquidity reasons, reducing the future profits for the Group. In other situations, declines in interest rates may result in increasing the duration of certain life insurance liabilities, creating asset liability duration mismatches. The Group's investment portfolio also contains interest rate sensitive instruments, such as fixed income securities, which may be adversely affected by changes in interest rates from governmental monetary policies, domestic and international economic and political conditions and other factors beyond the Group's control. A rise in interest rates would increase unrealised losses or reduce unrealised gains in the investment portfolio, whilst improving the Group's ability to earn higher rates of return on funds reinvested. Conversely, a decline in interest rates would decrease unrealised losses or increase unrealised gains in the Group's investment portfolio, whilst lowering rates of return on funds reinvested.

As a result of the diversity of the products offered by the Group and the different regulatory environments in which it operates, the Group employs different methods of asset and liability management across its business units. It may not be possible to hold assets which will provide cash flows to exactly match those relating to policyholder liabilities. This is due to the duration and uncertainty of the liability cash flows and the lack of sufficient assets of suitable duration. This results in a residual asset/liability mismatch risk which can be managed but not eliminated. In addition, the estimate of the liability cash flow profile may be inaccurate and the Group may be forced to liquidate investments prior to maturity at a loss in order to cover the liability. See also "Interest rate volatility may adversely affect the Group's profitability."

(12) Interest rate volatility may adversely affect the Group's profitability.

Because the Group's unit-linked and fund management business depends on fees related primarily to the value of assets under management, a rise in interest rates could reduce revenues by reducing the value of the investment assets the Group manages.

The options and guarantees embedded in the Group's with-profit and segregated fund business could become more onerous due to changing interest rates in the UK, Europe and Canada. Therefore, there may be a requirement for Group support if hedges and management actions are not in place or become ineffective.

Some products, such as annuities, expose the Group to the risk that changes in interest rates will reduce the "spread", or the difference between the amounts that are required to be paid under the contracts and the rate of return the Group is able to earn on investments intended to support obligations under the contracts. The Group's spread is a key component of net income.

As interest rates decrease or remain at low levels, the Group may be forced to reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, reducing the investment margin. Moreover, borrowers may prepay or redeem the fixed-income securities, commercial mortgages and mortgage-backed securities in the Group's investment portfolio with greater frequency in order to borrow at lower market rates, which exacerbates this risk. Lowering bonus rates on with-profit policies can help manage the future build-up of liabilities. However, the ability to lower these rates could be limited by policyholder expectations, competition or contractually guaranteed minimum rates and may not match the timing or magnitude of changes in asset yields.

In addition, during periods of declining interest rates some products may be relatively more attractive to consumers, resulting in increased premium payments on products with flexible premium features, and a higher percentage of insurance policies remaining in force from year to year, during a period when new investments carry lower returns. In periods of increasing interest rates, surrenders of life insurance policies may increase as policyholders choose to forgo insurance protection and seek higher investment returns. Obtaining cash to satisfy these obligations may require the Group to liquidate fixed-maturity investments at a time when market prices for those assets are depressed because of increases in interest rates. This may result in realised investment losses. Regardless of whether the Group realises an investment loss, these cash payments would result in a decrease in total invested assets, and may decrease the Group's net income.

(13) A widening in credit spreads could reduce the Group's future profits.

Widening credit spreads may reduce the value of the Group's investment portfolio, which could impact Group profitability in several ways.

Profits from fees taken on unit-linked funds and other third party assets invested in corporate bonds would fall when spreads widen, and the options and guarantees embedded in the with-profits business could become more onerous and hence may require Group support. Other areas where widening credit spreads could impact the Group's profitability are the valuation and matching of annuity and other long-term liabilities.

Market volatility can make it difficult to value certain securities if trading becomes less frequent. Accordingly, valuations of investments may include assumptions or estimates that may have significant period-to-period changes due to market conditions, which could have a material adverse effect on the Group's consolidated results of operations or financial condition.

(14) Falls in property prices could have an adverse impact on the Group's investment portfolio and impact the results of operations and shareholders' equity.

The Group is subject to property price risk due to holdings of investment properties in various funds. Profits from fees taken on unit-linked funds and other third party assets invested in property would fall when the value of underlying properties falls. To the extent that falls in property prices make options and guarantees embedded in with-profit contracts more onerous, Group support may be required for the with-profit fund.

The Group is also subject to some property risk indirectly through investments in mortgage-backed securities. There is the risk that the underlying collateral of the mortgage-backed securities may default on principal and interest payments, causing an adverse impact on cash flows from, and the valuation of, the mortgage-backed securities. The markets for these property investments and instruments can become illiquid, and issues relating to counterparty credit ratings and other factors can exacerbate pricing and valuation uncertainties.

(15) A decline in equity markets or an increase in volatility in equity markets may adversely affect the investment portfolio, sales of investment products, fund management business and Group profitability.

Significant downturns and volatility in equity markets could have a material adverse effect on the Group's financial condition and results of operations in several ways. Downturns and volatility in equity markets could have a material adverse effect on shareholder revenues and returns from unit-linked, participating and fund management businesses.

Because the Group's unit-linked and fund management businesses depend on fees related primarily to the value of assets under management, a decline in the equity markets could reduce revenues by reducing the value of the investment assets the Group manages.

The options and guarantees embedded in with-profit and segregated fund business could become more onerous if equity markets decline and may require Group support if hedges and management actions are not in place or become ineffective.

Profits could also be reduced as a result of current investors withdrawing funds in volatile equity markets or reducing their rates of ongoing investment with the Group's products or as a result of failing to attract funds from new investors.

(16) Fluctuations in currency exchange rates may adversely affect the Group's operating results and financial position.

The Group operates internationally and is thus exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies. The Group's net assets are denominated in a variety of currencies, of which the largest are the euro, sterling and the Canadian dollar. Hedge transactions are used to limit exposure to the investment in Canada. The effect of exchange rate fluctuations on local operating results

could lead to significant fluctuations in the Group's consolidated financial statements upon translation of the results into sterling. Although the Group takes certain actions to address this risk, foreign currency exchange rate fluctuation could materially adversely affect the Group's reported results due to unhedged positions or the failure of hedges to offset the impact of the foreign currency exchange rate fluctuation effectively. Each of the subsidiaries within the Group maintains sufficient assets in its local currency to meet local currency liabilities. Exchange rate movements, however, may impact the value of the Group's consolidated shareholders' equity, which is expressed in sterling.

(17) Price and earnings inflation may adversely affect the Group's operating results and financial position.

A significant proportion of the Group's maintenance costs are associated with staff salaries. If management fails to control such costs within the inflationary environment, Group profitability may be impacted. In addition, significant increases in inflation can impact the Group's unit costs in other ways and hence potentially impact on profitability.

(18) Increases in volatility implied in option prices could increase the burden of obligations in certain products.

The options and guarantees embedded in the Group's with-profit and segregated fund business could become more onerous if option implied volatilities increase and may require Group support if hedging transactions and management actions are not in place or become ineffective.

(19) The impairment of other financial institutions, service providers and business partners could adversely affect the Group.

The Group has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, hedge funds and other investment funds, other insurance groups and other institutions. Many of these transactions expose the Group to credit risk in the event of default of a counterparty. In addition, with respect to secured transactions, the Group's credit risk may be impacted where the collateral held cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to it. The Group also has exposure to these financial institutions in the form of unsecured debt instruments, derivative transactions and equity investments.

There can be no assurance that any such losses or impairments to the carrying value of these assets would not materially and adversely affect the Group's business and results of operations.

(20) The Group uses derivative instruments to hedge various risks and is exposed to counterparty default risk.

The Group enters into a variety of derivative instruments, including options, forwards, interest rate and currency swaps with a number of counterparties. Obligations to policyholders are not changed by hedging activities and the Group is liable for obligations even if derivative counterparties do not pay. This is a more pronounced risk to the Group in view of the recent stresses suffered by financial institutions. Defaults by such counterparties could have a material adverse effect on the Group's financial condition and results of operations.

The Group is also susceptible to risks associated with the potential financial instability of service providers and business partners on which the Group relies or partially relies to provide services and grow the business.

(21) The Group's businesses are conducted in highly competitive environments and continued profitability depends on management's ability to respond to these pressures.

There are many factors which affect the Group's ability to sell its products, including price and yields offered, financial strength and ratings, range of product lines and product quality, brand strength and name

recognition, investment management performance and historical bonus levels. In some of the Group's markets, the Group faces competitors that are larger, have greater financial resources or a greater market share, offer a broader range of products or have higher bonus rates or claims-paying ratios. Furthermore, heightened competition for talented and skilled employees with local experience, particularly in the emerging, high growth markets, may limit the potential to grow the business as quickly as planned.

(22) *The use of inaccurate assumptions in pricing and reserving for insurance business may have an adverse effect on business profitability.*

The management of the life insurance business within the Group requires the life insurance companies to make a number of assumptions in relation to the business written, including the mortality and morbidity rates of customers, the expected return on assets, the development of interest rates, persistency rates (the rates at which customers terminate existing policies prior to their maturity dates) and future levels of expenses. These assumptions may turn out to be incorrect.

When establishing their liabilities, life insurance companies allow for changes in market conditions and monitor their experience against the actuarial assumptions used and assess the information gathered to refine their long-term assumptions. However, it is not possible to determine precisely the amounts in total that will be ultimately necessary to pay liabilities under the policies written by the business. Amounts may vary from estimates, particularly in the light of the long-term nature of the life insurance business. Changes in assumptions may also lead to changes in the level of capital required to be maintained. If the assumptions underlying the Group's reserving methodology were to prove incorrect, it may be necessary to increase the amount of reserves, which could have a material adverse impact on the Group's value, the results of the Group's operations and/or financial condition and the Group's ability to manage its businesses in an efficient manner. Examples of reserving assumptions, which could prove to be incorrect, would include: actual claims experience being less favourable than the underlying assumptions; a higher than anticipated rate of future claims; or actual levels of future persistency being significantly lower than previously assumed.

(23) *The Group may face losses if there are significant deviations from the assumptions regarding the persistency of policies and contracts.*

Persistency risk may arise if rates of persistency are greater or less than assumed or if policyholders selectively lapse when it is beneficial to them. If the benefits payable on lapse or the benefits being paid-up are greater than the reserve held, then the risk will be of a worsening of persistency. However, if the benefits which are paid out are lower than the reserves, then the risk will be that fewer policyholders will lapse or become paid-up.

Persistency risk also reflects the risk of a reduction in expected future profits arising from early retirements, surrenders – either partial or full – and similar policyholder options.

Variance in persistency will affect shareholder profits to the extent that charges levied against policies are dependent upon the number of policies in force and/or the average size of those policies. The policies primarily relate to unit-linked, unitised with-profits and Standard Life Canada's segregated fund business. Profit may also be at risk if it is considered necessary, or prudent, to increase liabilities on certain lines of business.

(24) *The Group has a significant exposure to annuity business and a significant insurance risk is associated with longevity.*

Longevity statistics are monitored in detail, compared with emerging industry trends, and the results are used to inform both the reserving and pricing of annuities. Inevitably, there remains uncertainty about the development of future longevity that cannot be mitigated.

The principal longevity risks emanate from markets with a long history of collecting population longevity data, and the Group studies those statistics in detail. The Group also believes the size of the Group's business

means that there is statistically relevant data to make an assessment of the longevity characteristics of the portfolio. In addition to evaluating current experience the key factor is the assessment of the future rate of improvement in longevity. For this, the Group, in reaching conclusions, analyses trends and studies the wide range of papers written on this subject. A strengthening in the longevity assumption used to calculate long-term business liabilities would result in an increase in these reserves.

Should there be significant advances in medical treatment for certain health conditions the Group could be exposed to significant increases in liabilities under annuity contracts.

The Group also has some exposure to mortality risk from its insurance business.

(25) As an international business, the Group is exposed to various local political, regulatory and economic conditions, business risks and challenges which may affect the demand for the Group's products and services, the value of the Group's investment portfolios and the credit quality of local counterparties.

The Group offers products and services in Europe (including the UK and Ireland), Canada, the Asia Pacific region and elsewhere around the world, through wholly-owned and majority-owned subsidiaries, joint ventures, companies in which the Group holds non-controlling equity stakes, agents and independent contractors. The Group's international operations expose it to different local political, regulatory, business and financial risks and challenges which may affect the demand for its products and services, the value of its investment portfolio, the required levels of capital and surplus, and the credit quality of local counterparties. These risks include, for example, political, social or economic instability in countries in which the Group operates, discriminatory regulation, credit risks of local borrowers and counterparties, lack of local business experience in certain markets, risks associated with exposure to insurance industry insolvencies through policyholder guarantee funds or similar mechanisms set up in foreign markets and, in certain cases, risks associated with the potential incompatibility with foreign partners, especially in countries in which the Group conducts business through entities it does not control. Some of the Group's international insurance operations are, and are likely to continue to be, in emerging markets where these risks are heightened. The Group's overall success as a global business depends, in part, upon the ability to succeed in different economic, social and political conditions.

Finally, the Group's results of operations and financial condition may be materially affected from time to time by the general economic conditions, such as the levels of employment, consumer lending, prevailing interest rates, or inflation, in the countries in which the Group operates.

(26) If the Group's business does not perform well or if actual experience versus estimates used in valuing and amortising Deferred Acquisition Costs ("DAC") vary significantly, the Group may be required to accelerate the amortisation and/or impair the DAC which could adversely affect the Group's results of operations or financial condition.

The Group incurs significant costs in connection with acquiring new business. Certain costs that are related to the production of new non-profit insurance and investment business can be deferred in certain circumstances and are referred to as "DAC". The initial DAC asset is expected to be amortised according to a schedule determined at the outset of the new contract that reflects management's expectation regarding the emergence of future profits.

After initial recognition, DAC assets are reviewed on an ongoing basis and are written off to the extent that they are no longer considered to be recoverable. Such a write-off would result in an increased charge to income in that year, which could have a material adverse effect on the Group's results. The reviews to determine the recoverability of the DAC take into account the expected future profitability of the related business. Factors that impact the expected future profitability principally arise from investment returns, mortality, morbidity, persistency, interest crediting rates and expenses to administer the business. If actual experience on some or all of these factors is significantly less favourable than those originally expected,

and/or if this less favourable experience is expected to continue in future, then this could lead to a write-off of some or all of the DAC assets.

(27) The valuation of Fair Value (“FV”) securities may include methodologies, estimations and assumptions which, by their nature, require judgement. The use of reasonable alternative methodologies, estimations and assumptions could result in changes to investment valuations that may materially adversely affect the Group’s results of operations or financial condition.

The Group values FV securities using designated methodologies, estimation and assumptions. These securities, which are reported at fair value on the consolidated statement of financial position, represent the majority of the Group’s total cash and invested assets. The Group has categorised the measurement basis for assets carried at fair value into a ‘fair value hierarchy’ in accordance with the valuation inputs and consistent with International Financial Reporting Standard (“IFRS”) 7 Financial Instruments: Disclosures. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1); the middle priority to fair values other than quoted prices based on observable market information (Level 2); and the lowest priority to unobservable inputs that reflect the assumptions that the Group considers market participants would normally use (Level 3). The majority of the Group’s financial assets are valued based on quoted market information or observable market data. At 31 December 2011, 2.1 per cent. of total financial assets at fair value were classified as Level 3, amounting to £2,627 million. Where estimates were used for inputs to Level 3 fair values, these were based on a combination of independent third party evidence and internally developed models, calibrated to market observable data where possible. An asset’s or liability’s classification within the fair value hierarchy is based on the lowest level of significant input to its valuation.

During periods of market disruption including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain of the Group’s securities, such as mortgage-backed securities, if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were in active markets with significant observable data that become illiquid due to the current financial environment. In such cases, more securities may fall to Level 3 and thus require more subjectivity and management judgement. As such, valuations may include inputs and assumptions that are less observable or require greater estimation, as well as valuation methods which are more sophisticated or require greater estimation, thereby resulting in values which may be less than the value at which the investments may be ultimately sold. Furthermore, rapidly changing credit and equity market conditions could materially impact the valuation of securities as reported within the Group’s consolidated financial statements and the period-to-period changes in value could vary significantly. Decreases in value may have a material adverse effect on the Group’s results of operations or financial condition.

(28) The determination of the amount of allowances and impairments taken on investments is highly subjective and could materially impact the Group’s results of operations or financial position.

The determination of the amount of allowances and impairments varies by investment type and is based upon the Group’s periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. Furthermore, additional impairments may need to be taken or allowances provided for in the future. Management updates its evaluations regularly and reflects changes in allowances and impairments in operations as such evaluations are revised. If the carrying value of an investment is greater than the recoverable amount, the carrying value is reduced through a charge to the income statement in the period of impairment. There can be no assurance that management has accurately assessed the level of impairments taken and allowances reflected in the Group’s financial statements.

(29) In the event that the assumptions and calculations underlying the endowments business were materially wrong, a significant change in the provisions required, in particular due to payments made under the mortgage endowment promise made by the Group, could have a material adverse effect on the Group's business, results of operations and/or financial condition.

In September 2000 the Group announced, subject to certain conditions being satisfied, it would top-up the payouts at maturity on certain policies where there is a shortfall between the claim value and the mortgage amount originally targeted (the "**Mortgage Endowment Promise**"). Rules determining the Group's liability for this Mortgage Endowment Promise are set out in the Scheme of Demutualisation.

Until such time as all claims under such policies are either time-barred or determined, the provisions held by companies in the Group are based on a combination of experience and modelling and are, therefore, only estimates of the expected final outcome. If the Group is required to make payments under the Mortgage Endowment Promise the actual amount of those payments may exceed the provisions held by companies in the Group, which could have a material adverse effect on the Group's business, results of operations and/or financial condition.

(30) Adverse experience against the assumptions used in pricing products and reporting business results could significantly affect the Group's results of operations.

The management of the life insurance business within the Group requires certain assumptions to be made about a number of factors in determining the pricing of its products and setting reserves and for reporting its capital levels and the results of its long-term business operations. These assumptions may turn out to be incorrect. Whilst life insurance companies allow for changes in the assumptions made, it is not possible to precisely determine the total amounts necessary to pay liabilities under the policies written by the business and such amounts may vary from estimates, particularly in the light of the long-term nature of the life insurance business.

For example, the assumption that the Group makes about future expected levels of mortality is particularly relevant for its UK and Canadian annuity business. In exchange for a premium equal to the capital value of their accumulated pension fund, pension annuity policyholders receive a guaranteed payment, usually monthly, for as long as they are alive. The Group conducts rigorous research into longevity risk, using data from its substantial annuitant portfolio. As part of its pension annuity pricing and reserving policy, the Group's UK business assumes that current rates of mortality continuously improve over time at levels based on adjusted data from the Continuous Mortality Investigations (CMI) as published by the Institute and Faculty of Actuaries. If mortality improvement rates significantly exceeded the improvement assumed, the Group's results of operations could be adversely affected.

Another example is the impact of epidemics and other effects that cause a large number of deaths. Significant influenza epidemics have occurred three times in the last century, but the likelihood, timing, or the severity of future epidemics cannot be predicted. The effectiveness of external parties, including governmental and non-governmental organisations, in combating the spread and severity of any epidemics could have a material impact on losses experienced by the Group.

In common with other industry participants, the profitability of the Group's businesses depends on a mix of factors, including mortality and morbidity trends, policy surrender rates, investment performance and impairments, unit cost of administration and new business acquisition expense. Changes in such assumptions may also lead to changes in the level of capital required to be maintained. If the assumptions underlying the Group's reserving methodology were to prove incorrect, it may be necessary to increase the amount of reserves, which could have a material adverse impact on the Group's value, the results of the Group's operations and/or financial condition and the Group's ability to manage its businesses in an efficient manner.

(31) *Regulatory changes or errors may affect the calculation of unit prices or deduction of charges for the Group's unit-linked products which may require it to compensate customers retrospectively.*

A significant proportion of the Group's product sales are unit-linked contracts, where product benefits are linked to the prices of underlying unit funds. Whilst comprehensive controls are in place, there is a risk of error in the calculation of the prices of these funds, which may be due to human error in data entry, IT related issues or other causes. Additionally, it is possible that policy charges which are deducted from these contracts are taken incorrectly, or the methodology is subsequently challenged by policyholders or regulators and changed retrospectively. Any of these factors can give rise to compensation payments to customers. Controls are in place to mitigate these risks, but errors could give rise to future liabilities. Payments due to errors or compensation may negatively impact the Group's profits.

(32) *There are inherent funding risks associated with participations in defined benefit staff pension schemes.*

The Group operates defined benefit and defined contribution schemes for staff employed by the Group. The Group operates defined benefit pension schemes for its employees in the UK, Ireland, Germany and Canada with the scheme in the UK having the largest number of members. In the UK, since 16 November 2004, new employees have been eligible to join a defined contribution scheme. The assets of this scheme are held separately from those of the Group in an independently administered fund. In Canada, employees have the option to have their current year of service credited on a defined contribution basis.

There are inherent funding risks associated with the defined benefit schemes. Events could result in a material reduction in the funding position of such schemes and, in some cases, a deficit between the pension scheme's assets and liabilities could develop or increase. The Group's UK defined benefit pension scheme accounting surplus was £342 million as at 31 December 2011. The factors that affect the scheme's position include: investment performance of the scheme's assets; contributions; assumption changes and experience relative to the assumptions. Changes in equity, property, fixed income and credit markets can impact on both the value of the scheme assets and the value placed on the scheme liabilities. Changes in other market conditions can also impact on the financial position of the scheme.

Where a funding deficit or surplus arises, the position will be discussed with the scheme trustees to agree appropriate actions. Upon a funding deficit this may include a funding plan being agreed to make good the deficit over a period of years, but could also include a range of other actions to manage the liabilities. The funding position of the scheme and the contributions made into the scheme by the company are reviewed regularly as required by the regulator. Any surplus or deficit in the defined benefit pension schemes will affect the Group's shareholders' equity.

(33) *The Group is reliant on IT systems and there are risks that the Group's current and legacy systems cannot be made to adapt to growth in the business or new styles of doing business.*

Key IT initiatives may not deliver what is required either on time or within budget or provide the performance levels required to support the current and future needs of the Group's business. Significant resources are devoted to maintaining and developing IT systems to keep pace with developments within the insurance and fund management industries. Failure to do so could result in the inability to gather information for pricing, underwriting and reserving, and to attract and retain customers. The Group could also incur higher administrative costs both from the processing of business and remediation of disputes.

(34) The Group operates in a number of markets through joint ventures and other arrangements with third parties in China and India, involving certain risks that it does not face with respect to its consolidated subsidiaries.

The Group operates, and in certain markets is required by local regulation to operate, through joint ventures in China and India. For the Group's joint venture operations, management control is exercised jointly with the venture participants.

The level of control exercisable by the Group depends on the terms of the joint venture agreements, in particular, the allocation of control among, and continued co-operation between, the joint venture participants.

The Group may also face financial or other exposure in the event that any partner fails to meet its obligations under the agreement or encounters financial difficulty. For example, a significant proportion of product distribution is carried out through arrangements with third parties not controlled by the Group and is dependent upon the continuation of these relationships. A temporary or permanent disruption to these distribution arrangements could affect the Group's financial condition. Some of these arrangements require third party partners to participate in and provide capital to joint venture, associate and subsidiary undertakings. These partners may change their strategic priorities or encounter financial difficulties preventing them from providing the necessary capital to promote future growth.

(35) The Group is rated by several rating agencies, and a decline in any of these ratings could affect the Group's standing among brokers and customers and cause sales and earnings to decrease.

Financial strength ratings are factors in establishing the competitive position of insurers. A rating downgrade (or the perceived potential for such a downgrade) of the Issuer, the Guarantor or any of the rated insurance subsidiaries may, among other things, materially increase the number of policy surrenders and withdrawals by policyholders of cash values from their policies. The outcome of such activities may be cash payments requiring the sale of invested assets, including illiquid assets, at a price that may result in realised investment losses. These cash payments to policyholders would result in a decrease in total invested assets and a decrease in net income. Among other things, early withdrawals may also cause the Group to accelerate amortisation of policy acquisition costs, reducing net income. A rating downgrade may also impact sales volumes.

Rating organisations assign ratings based upon several factors. While most of the factors relate to the rated company, some of the factors relate to general economic conditions and circumstances outside the rated company's control. In view of the difficulties experienced recently by many financial institutions, including the Group's competitors in the insurance industry, it is possible that the rating agencies, including Standard & Poor's and Moody's, will heighten the level of scrutiny that they apply to such institutions, will increase the frequency and scope of their credit reviews, will request additional information from the companies that they rate, and may adjust upward the capital and other requirements employed in their models for maintenance of certain ratings levels. The Group cannot predict what actions rating agencies may take, or what actions may be taken in response to the actions of rating agencies, which could adversely affect the Group's business. As with other companies in the financial services industry, the ratings could be downgraded at any time and without any notice by any rating agency. A downgrade may adversely affect relationships with broker-dealers, banks, agents, consultants, wholesalers and other distributors of products and services, which may negatively impact new sales and adversely affect the ability to compete and, thereby, have a material adverse effect on the Group's business, results of operations and financial condition. In addition, the interest rates paid on borrowings of the Group are affected by debt credit ratings.

(36) The Group is dependent on the strength of its brands, the brands of partners and the Group's reputation with customers and agents in the sale of products and services.

The Group's success and results are, to a certain extent, dependent on the strength of the Group's brands and reputation. While the Group is well recognised, it is vulnerable to adverse market and customer perception. It operates in an industry where integrity, customer trust and confidence are paramount. The Group is exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory investigations, press speculation and negative publicity, disclosure of confidential client information, inadequate services, amongst others, whether or not founded, could impact brands or reputation. Any of the Group's brands or the Group's reputation could also be affected if products or services recommended by the Group (or any intermediaries) do not perform as expected (whether or not the expectations are founded) or in line with the customers' expectations for the product range.

(37) The cyclical nature of the insurance industry may cause fluctuations in results.

Historically, the insurance industry has been cyclical and operating results of insurers have fluctuated significantly because of volatile and sometimes unpredictable developments, many of which are beyond the direct control of any insurer. Although the Group has a geographically diverse group of businesses providing a diverse range of products, it is expected that the Group will experience the effects of this cyclical nature, including changes in sales and premium levels, which could have a material adverse effect on results of its operations.

(38) The Group is involved in various legal proceedings and regulatory investigations and examinations and may be involved in more in the future.

The Group, like other financial organisations, is subject to legal proceedings and regulatory investigations and examinations in the normal course of its business (together, "proceedings"). Due to the nature of these proceedings, it is not practicable to forecast or determine the final results of all such proceedings. Additionally, it is possible that a regulator in one of the jurisdictions in which the Group conducts its business may conduct a review of products previously sold, either as part of an industry-wide review or specific to the Group. The result of this review may be to compensate customers for losses they have incurred as a result of the products they were sold.

(39) All of the Group's businesses are subject to operational risks, including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes, systems and human error or from external events.

The Group's business is dependent on processing a large number of complex transactions across numerous and diverse products. Furthermore, the long-term nature of the majority of the Group's business means that accurate records have to be maintained for significant periods. The Group also outsources several operations, including certain back office servicing and is therefore at least partially reliant upon the operational processing performance of outsourcing partners.

The systems and processes on which the Group is dependent to serve customers are designed to ensure that the operational risks associated with the Group's activities are appropriately identified and addressed; however, they may nonetheless fail due to IT malfunctions, human error, business interruptions, non-performance by third parties or other external events. This could disrupt business operations resulting in material reputational damage and the loss of customers, and have a consequent material adverse effect on the Group's results. Although appropriate steps have been taken to upgrade systems and processes to reduce these operational risks, the specifics or timing of all possible operational and systems failures which may adversely impact the Group's business cannot be anticipated.

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

(40) Risk management policies and procedures may leave the Group exposed to unidentified or unanticipated risk, which could negatively affect the business.

Management of risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events. The Group has devoted significant resources to develop risk management policies and procedures, including the development of forward looking risk indicators, and expects to continue to do so in the future. Nonetheless, these policies and procedures may not be comprehensive. Many of the methods for managing risk and exposures are based upon the use of observed historical market behaviour or statistics based on historical models. As a result, these methods may not fully predict future exposures, which can be significantly greater than historical measures indicate, particularly in unusual markets and environments. Other risk management methods depend upon the evaluation of information, regarding markets, clients, catastrophe occurrence or other matters, that is publicly available or otherwise accessible to the Group. This information may not always be accurate, complete, up-to-date or properly evaluated. Although the Group makes use of forward looking risk indicators where appropriate, it is not possible for these indicators to precisely predict future outcomes which may result in the Group being exposed to unidentified or unanticipated risks.

(41) The failure to attract or retain the necessary personnel could have a material adverse effect on the Group's results and/or financial condition.

As a global financial services organisation, the Group relies, to a considerable extent, on the quality of local management in the regions and countries in which it operates. The success of operations is dependent, among other things, on the ability to attract and retain highly qualified professional people. Competition for such key people in most countries in which the Group operates is intense. The Group's ability to attract and retain key people, and, in particular, directors, experienced investment managers and fund managers, is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent.

(42) Catastrophic events, which are often unpredictable by nature, could result in material losses and abruptly and significantly interrupt business activities.

The Group's life insurance operations, in particular, are exposed to the risk of catastrophic mortality, so that an event such as a pandemic or other event that causes a large number of deaths could have an adverse impact on the Group's results of operations in any period and, depending on its severity, could also materially and adversely affect the Group's financial condition. The Group's ability to write new business could also be affected. Furthermore, pandemics, natural disasters, terrorism and fires could disrupt operations and result in significant loss of property, key personnel and information about the Group and its customers. If business continuity plans have not included effective contingencies for such events, they could adversely affect the Group's business, results of operations, corporate reputation and financial condition for a substantial period of time.

(43) The Group's regulated business is subject to extensive regulatory supervision both in the UK and internationally.

The Group's insurance subsidiaries worldwide are subject to detailed and comprehensive regulation in each of the jurisdictions in which they conduct business. Regulatory agencies have broad administrative power over many aspects of the insurance business, which may include premium rates, marketing and selling practices, advertising, licensing agents, policy forms, capital adequacy and permitted investments. Regulators are concerned primarily with the protection of policyholders rather than shareholders or creditors. Insurance laws, regulations and policies currently affecting the Group may change at any time in ways having an adverse effect on the Group's business. Furthermore, it is difficult to predict the timing or form of future regulatory initiatives.

In the UK, the Group's business is subject to regulation by the FSA (although draft legislation for reform is described at risk factor 54 below). The FSA has broad powers under the FSMA, including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation, to investigate marketing and sales practices and to require the maintenance of adequate financial resources. The FSA has the power to take a range of investigative, disciplinary or enforcement actions, including public censure, restitution, fines or sanctions and to award compensation. The FSA may make enquiries of the companies which it regulates regarding compliance with regulations governing the operation of business and, like all UK regulated financial service companies, the Group faces the risk that the FSA could find that the Group has failed to comply with applicable regulations or has not undertaken corrective action as required.

Issues and disputes may arise from time to time from the way in which the insurance industry or fund management industry has sold or administered an insurance policy or other product or in the way in which they have treated policyholders or customers, either individually or collectively.

In the UK, any such issues or disputes are typically resolved by the Financial Ombudsman Service (the "FOS"), or by litigation for individual policyholders. The FSA may intervene directly, however, where larger groups or matters of public policy are concerned. There have been several industry-wide issues in recent years in which the FSA has intervened directly, including the sale of personal pensions, the sale of mortgage-related endowments and investments in split capital investment trusts.

Outside of the UK, the Group's business is regulated by local regulators that often have similar powers to the FSA and could, therefore, have a similar negative impact on perceptions of the Group or have a material adverse effect on the Group's business, results and/or financial condition and divert management's attention from the day-to-day management of the business.

Furthermore, various jurisdictions in which the Group operates, including the UK, have created investor compensation schemes that require mandatory contributions from market participants in some instances in the event of a failure of another market participant. As a major participant in the majority of its chosen markets, circumstances could arise where the Group, along with other companies, may be required to make such contributions. Additionally, there is a risk to the Group and other insurers that they may be obliged to meet compensation costs arising from bank failures.

The financial crisis has exposed a number of weaknesses in the current regulatory framework. Whilst these weaknesses are predominantly in the banking sector, the insurance and investment management industries potentially face a number of regulatory initiatives aimed at addressing lessons learnt from the crisis. The Group could be impacted by global initiatives (led by the G20), European initiatives and national initiatives in the markets within which the Group operates.

A determination that the Group has failed to comply with applicable regulation could have a negative impact on the Group's reported results or on relations with current and potential customers. Regulatory action against a member of the Group could result in adverse publicity for, or negative perceptions regarding, the Group, or could have a material adverse effect on the Group's business, results of operations and/or financial condition and divert management's attention from the day-to-day management of the business.

(44) *The Solvency II directive may affect the financial position of the Group*

The Solvency II Directive, an insurance industry regulation agreed by the European Parliament in 2009 ("Solvency II"), will require European domiciled insurers to move to more risk based capital requirements. However the more detailed implementing measures still need to be agreed and there is a risk that this could lead to a significant increase in the capital required to support the Group's annuity and other business. There is evidence of heightened supervisory action throughout the world to assess and protect the financial position of regulated insurance companies. Other European regulators in certain countries in which the Group operates have adopted new rules or indicated that they may adopt new rules in the future relating to

distributable reserves and retention of profits, which could affect the dividends subsidiaries may pay to the Issuer or the Guarantor.

(45) *Inconsistent application of Directives by regulators in different European Union (“EU”) member states may place the business at a competitive disadvantage to other European financial services groups.*

Insurance regulation in the UK is largely based on the requirements of EU Directives. Inconsistent application of Directives by regulators in different EU member states may place the Group’s business at a competitive disadvantage to other European financial services groups. In addition, changes in the local regulatory regimes of designated territories could affect the calculation of the Group’s solvency position.

(46) *The Group’s businesses are subject to regulatory risk, including adverse changes in the laws, regulations, policies and interpretations in the markets in which it operates.*

The Group will not always be able to predict accurately the impact of future legislation or regulation or changes in the interpretation or operation of existing legislation or regulation on the Group’s business, results of operations and/or financial condition. Changes in government policy, legislation or regulatory interpretation applying to companies in the financial services and insurance industries in any of the markets in which the Group operates, which may be applied retrospectively, may adversely affect the Group’s product range, distribution channels, capital requirements and, consequently, results and financing requirements.

Such changes could include, for example, alterations to the regulatory framework for pension arrangements and policies or the regulation of selling practices and solvency requirements (including the implementation of Solvency II). The Group may face increased compliance costs due to the need to set up additional compliance controls or the direct cost of such compliance because of changes to financial services legislation or regulation. The Group faces significant compliance challenges because the regulatory environment is evolving rapidly and supervisory authorities around the world are assuming an increasingly active and aggressive role in interpreting and enforcing regulations in the jurisdictions in which the Group operates, for example in the UK, the extent of the FSA’s interpretation of the principle of “treating customers fairly”.

(47) *The Group’s businesses are subject to regulatory uncertainty relating to the retail distribution review being conducted in the UK by the Treasury Select Committee (the “RDR”)*

The RDR will result in new rules relevant to the retail investment market, including investment insurance contracts, to provide, amongst other things, a more transparent and fair charging system for advice, which will include a restriction on certain commission structures currently used in the sale of investment products. There is growing concern within the retail investments industry that key RDR policy statements have either been delayed (such as those relating to investment platforms) or were finalised later than planned (such as those relating to “legacy assets” (investment products purchased by a retail client before the RDR rules come into effect)). These delays and reviews, combined with a deadline of 31 December 2012, mean that there is a risk those delays will impact the Group’s ability to respond to the changes and result in increased costs to the Group.

(48) *The RDR may affect the Group’s distribution dynamics for its savings products with adverse results for the Group.*

It is anticipated that a number of advisers will leave the industry due to new rules expected to be introduced following the completion of the RDR. Those advisers that remain will need to balance the cost to benefit ratio of their new advice model (whether independent or restricted) and one potential outcome is the significant shift to restricted advice, which in turn may lead to strategic partnerships which could reduce business flows from key intermediary partners to the Group.

(49) The RDR may affect customer behaviour with adverse results for the Group.

Any increase in pricing transparency from the RDR is expected to lead to greater price sensitivity and/or to greater attention to value for money. Accordingly, a proportion of customers are expected to migrate towards self-investing as the level of information increases and customers become more aware of their own needs and corresponding financial products resulting in fewer customers using investment services provided by the Group. However, it is still unclear how customers will behave post-RDR as one of the key challenges is moving the UK from a credit to a savings culture.

(50) The RDR may make the UK's long-term saving market attractive to new entrants, which may reduce the Group's market share.

There is the potential for consumer brands or overseas competitors to view the RDR changes as an opportunity to access the UK's long-term savings market. If competition to the Group increases, then the Group's market share may decrease.

(51) Changes to the rules on Insurance Mediation may result in adverse consequences on the ability of the Group to sell certain insurance products which may adversely impact the profits of the Group.

The European Commission has begun a review of the Insurance Mediation Directive ("IMD2") which established an EU-wide supervisory regime for intermediaries involved in the promotion, sale and administration of certain insurance products. This review is at an early stage and consequently it is impossible to predict the extent and nature of any changes which may be made to the existing regime, but it is possible that such changes may have an operational, cost or other negative impact on the Group and its distribution arrangements in particular. This could result in increased compliance costs for the Group.

IMD2 will also capture legislative proposals from the European Commission relating to packaged retail investment products ("PRIPs") which will include new regulatory requirements for insurance PRIPs and aim to harmonise pre-contractual disclosures and selling practices. The precise nature of the proposals is currently unclear, but such proposals may have an impact on how PRIPs are manufactured and sold. Although there is much uncertainty surrounding the outcome of IMD2, many of the risks associated with the RDR are relevant to the changes to insurance mediation rules, such as a risk of reduced business flows through intermediaries that have changed their business models and a change in the approach of customers to insurance PRIPs which may reduce sales. IMD2 may also result in greater levels of harmonisation across the EEA which may result in overseas competitors accessing the UK market and adversely impacting the Group's market share and its profits as a result.

(52) New FSA rules regarding the protection of with-profits policyholders may have an impact the operations of the Group and increase its costs

In March 2012 the FSA published a policy statement (PS 12/04) revising some of the existing conduct of business rules and guidance for with-profits business and introducing new with-profits governance rules and guidance. The new rules, which have applied since 1 April 2012, are included in an amended FSA conduct of business sourcebook (COBS) Chapter 20 (with a small amendment to the supervision sourcebook (SUP)) and include changes to the rules on the participation of with-profits policyholders in surpluses, the test for accepting new business in a with-profits fund, strategic investments of a with-profits fund, conflicts of interest and governance of with-profits funds. The rule changes are not expected to have a significant impact on the Group. However, since significant amounts of the Guarantor's legacy business include with-profits business, any required changes to the practices, procedures and management of its with-profits funds may increase the compliance and governance costs of the Group in the future and reduce the profits of the Group from with-profits business.

(53) The ECJ ruling in the recent "Test Achats" decision will no longer allow EU member states to rely upon a derogation in Article 5(2) of the Gender Directive, to allow gender specific pricing of premiums, may result in reduced levels of insurance business and adversely affect the profits of the Group

The European Court of Justice has recently upheld the Advocate General's opinion in the case of Association Belge des Consommateurs Test-Achats ASBL and others (Case C-236/09) and declared Article 5(2) of the Gender Directive (2004/1213/EC) invalid. This means that sex-specific differences in premiums and benefits based on risk assessed by actuarial and statistical data are no longer permitted as an exception to the fundamental right of equal treatment for men and women.

The effect of this decision will be that in determining levels of premiums for insurance policies (including in particular life, health and annuities), the Group will not be able to use gender as a determining factor in the pricing of new policies from 21 December 2012. Recent guidance from the European Commission has clarified, however, that insurers can continue to offer gender specific products, or options within products where conditions affect only or predominantly one gender, such as testicular cancer. This legislative change may have an adverse impact upon the pricing and underwriting of certain insurance products, such as annuities, which previously charged a lower premium for certain customers based partly on gender and could result in reduced demand for certain products by certain types of policyholder due to increased premiums. There is also likely to be pricing volatility as insurers adjust to the new regime and underwriting costs could increase as alternative underwriting criteria are introduced. FSA reform in structure and approach may result in an increase in compliance costs and resulting adverse impacts for the Group.

(54) FSA reform in structure and approach may result in an increase in compliance costs and resulting adverse impacts for the Group.

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

The Financial Services Bill (the "**Bill**") was introduced into Parliament on 26 January 2012. The Bill will, for the purposes of the regulation of insurers, split the regulatory parameter currently covered by the FSA between a new prudential regulator (the "**PRA**") and a conduct regulator as successor to the FSA (the "**FCA**"). New powers proposed for the PRA and FCA will allow them to take judgment focused pro-active intervention to avoid risks of financial instability (the PRA) and consumer and market detriment (in the case of the FCA). For example, the FCA will have extensive product banning powers which will allow it to intervene by making orders (in some cases at short notice without approval of Parliament or pre-publication to the market) and stop the issue of insurance products which are causing, or likely to cause, consumer or market detriment. As regards with-profits business, there is to be a difference in approach to the split between the PRA and FCA, whereby the PRA will be both the prudential regulator and conduct regulator.

In particular, the PRA will have significant responsibilities over the prudential and with-profits supervision of the Group which could result in enhanced prudential requirements for the Group as a prudentially significant institution. This could reduce capital available for the Group, adversely affecting its profits and results of operations.

The PRA will need to consult the FCA on matters relevant to achieving an appropriate balance between the interests of policyholders and the prudential position of the firm, and the FCA will need to provide advice. The FCA could also choose to exercise its product intervention powers in relation to certain investment products

offered by the Group which may result in an adverse effect on the profits of the Group and results of operations from such products.

Overall, the Bill could result both in further increased regulatory oversight of the activities of the Group as a financial services firm, resulting in constraints in the business activities of the Group and/or increases in regulatory capital requirements, and/or increased amounts of time and resources of the Group committed to compliance with the requirements of two new regulators with separate approaches and objectives, which could result in a material increase in compliance costs.

(55) *From time to time changes in the interpretation of existing tax laws, amendments to existing tax rates, or the introduction of new tax legislation may adversely impact the Group's business, results of operations and financial condition.*

The Group operates in several tax jurisdictions around the world. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law. If, as a result of a particular tax risk materialising, the tax costs associated with particular transactions are greater than anticipated, it could affect the profitability of those transactions.

There are also specific rules governing the taxation of policyholders. The Group will be unable accurately to predict the impact of future changes in tax law on the taxation of life insurance and pension policies in the hands of policyholders. Amendments to existing legislation (particularly if there is the withdrawal of any tax relief or an increase in tax rates) or the introduction of new rules may affect the future long-term business and the decisions of policyholders. The impact of such changes upon the Group might depend on the mix of business in force at the time of such change and could have a material adverse effect on the Group's business, results of operations and/or financial condition.

The design of life insurance products by life insurance companies takes into account a number of factors, including risks, benefits, charges, expenses, investment returns (including bonuses) and taxation. The design of long-term insurance products is based on the tax legislation in force at that time. Changes in tax legislation or in the interpretation of tax legislation may, therefore, when applied to such products, have a material adverse effect on the financial condition of the relevant long-term business fund of the company in which the business was written.

UK taxation law includes rules governing company taxes, business taxes, personal taxes, capital taxes and indirect taxes. Neither the Issuer nor the Guarantor is able to predict the impact of changes that may be announced in the future to UK tax legislation on its business. From time to time changes to existing UK and overseas tax laws (including as a result of changes in the interpretation of such tax laws), amendments to existing tax rates or the introduction of new tax legislation in the UK or overseas may adversely impact the business, results of operations and financial condition of the Group.

Further, there is specific UK legislation that governs the taxation of life assurance undertakings, changes to which might adversely affect life assurance undertakings. The Finance (No. 4) Bill 2012 (as ordered to be printed, 26 March 2012) contains legislation (the "**New UK Tax Rules**") which, if enacted in its current form, is likely to affect materially the UK taxation of life insurance companies for accounting periods beginning on or after 1 January 2013. The New UK Tax Rules represent a wide ranging revision of both the basis on which life assurance profits are computed for UK tax purposes and the detailed rules by which those profits are taxed (in particular, two key changes are that, under the New UK Tax Rules, first, only basic life assurance and general annuity business will continue to be taxed on an I-E basis, with all other life assurance business (including gross roll-up, permanent health and protection businesses) being taxed together on the basis of trading profits and secondly, the trading profits of a life assurance business will be calculated on the basis of the company's statutory accounts rather than on the basis of its regulatory returns). The New UK Tax Rules also include provisions to allow for adjustments to be made in connection with the transition from the existing basis of life

assurance taxation to the New UK Tax Rules, although further detailed rules on transition have yet to be published by HM Revenue and Customs.

Whilst the introduction of the New UK Tax Rules is likely to impact the life assurance sector as a whole, the impact of any such changes on the Group in particular will depend on the mix of long-term business within its portfolios and other relevant circumstances at the time of such changes. As at the date of this Prospectus it is not possible to state with any certainty what the effect of the New UK Tax Rules will be on the Group as the legislation is not in its final form but Noteholders should be aware that it is possible that the changes to the UK tax regime for life insurers reflected in the New UK Tax Rules may result in an increase in the amount of tax payable by the Guarantor, (and as a result reduce the after-tax profits of the Group), and that they could also have a significant adverse affect on certain operations of the Guarantor, which may also adversely affect Group profitability.

There are also specific rules governing the taxation of policyholders. The Group is unable to predict the impact of changes announced in the future to tax law on the taxation of life assurance and pension policies in the hands of policyholders. Amendments to existing legislation (particularly if there is the withdrawal of any tax relief or an increase in tax rates) or the introduction of new rules may impact upon the future life assurance and pensions business and the decisions of policyholders and potential policyholders. The impact of any changes upon the Group thereafter might depend on the mix of in-force business at the time of the change and could have a material adverse effect on the business, results of operations and/or financial condition of the Group.

(56) *Acquisitions may divert management attention and other resources and involve risks of undisclosed liabilities and integration issues.*

Acquisitions may occur in the future. Growth by acquisition involves risks that could adversely affect the Group's operating results, including the substantial amount of management time that may be diverted from operations to pursue and complete acquisitions. The Group's acquisitions could also result in the incurrence of additional indebtedness, costs, contingent liabilities, and impairment and amortisation expenses related to goodwill and other intangible assets, all of which could materially adversely affect the Group's businesses, financial condition and results of operations. Future acquisitions may have a dilutive effect on the ownership and voting percentages of existing shareholders. The Group may also finance future acquisitions with debt issuances or by entering into credit facilities, each of which could adversely affect the Group's businesses, financial condition and results of operations. The businesses that have recently been acquired include software and consultancy solutions, financial adviser support services and fund management. There could be unforeseen liabilities that arise out of the businesses acquired and that the Group may acquire in the future which may not be covered by, or exceed, the amounts of any indemnities provided to the Group by the sellers.

(57) *Holding company (applicable to Issuer only).*

The Issuer's insurance and investment management operations are generally conducted through direct and indirect subsidiaries. As a holding company, the Issuer's principal sources of funds are dividends from subsidiaries, shareholder-backed funds and any amounts that may be raised through the issuance of debt. Certain subsidiaries have regulatory restrictions that may limit the payment of dividends, which in some circumstances could limit the Issuer's ability to service payments to investors. In addition, claims of the creditors of the Issuer's subsidiaries have priority as to the assets of such subsidiaries over the claims of the Issuer. Consequently, holders of Notes which do not benefit from the Senior Guarantee or the Subordinated Guarantee are structurally subordinated to the prior claims of the creditors of subsidiaries of the Issuer.

(58) *Risks relating to the outsourcing of services*

The Group outsources certain back office functions to third parties and may use outsourcing increasingly in the future. If the Group does not effectively develop and implement its outsourcing strategy, third party providers do not perform as anticipated or the Group experiences technological or other problems with a

transition, the Group may not realise productivity improvements or cost efficiencies and may experience operational difficulties, increased costs and a loss of business. In addition, the ability to receive services from third party providers outside of the UK (or the jurisdictions in which subsidiaries operate) might be impacted by cultural differences, political instability, unanticipated regulatory requirements or policies inside or outside of the UK. As a result, the Group's ability to conduct business might be adversely affected.

Risks relating to the Notes

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Certain Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Final Terms specifies otherwise, in the event that the Issuer, or the Guarantor (as the case may be), would be obliged to increase the amounts payable in respect of any Senior Notes due to any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax the Issuer or the Guarantor may redeem all outstanding Senior Notes in accordance with the Conditions.

Unless in the case of any particular Tranche of Notes the relevant Final Terms specifies otherwise, in the event that as a result of any change in law which becomes effective after the Issue Date (i) on the occasion of the next payment due in respect of the Subordinated Notes the Issuer or the Guarantor (as the case may be) would be required to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) of the Subordinated Notes or (ii) on the next interest payment date the payment of interest in respect of the Subordinated Notes would be treated as a "distribution" within the meaning of the Income and Corporation Taxes Act 1988 (as amended, re-enacted or replaced), the Issuer may redeem all outstanding Subordinated Notes in accordance with the Conditions.

Senior Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal 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.

Index linked Senior Notes and Dual Currency Senior Notes

The Issuer may issue Senior Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each a "**Relevant Factor**"). In addition, the Issuer may issue Senior Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Senior Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Senior Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Senior Notes or even zero;

- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with the changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Senior Notes in conjunction with a multiplier greater than one or the Senior Notes contain some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to Investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Senior Notes

The Issuer may issue Senior Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable rate Senior Notes with a multiplier or other leverage factor

Senior Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Senior Notes

Inverse Floating Rate Senior Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Senior Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Senior Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Senior Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Senior Notes.

Fixed/Floating Rate Senior Notes

Fixed/Floating Rate Senior Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Senior Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Senior Notes may be less favourable than the prevailing spreads on comparable Floating Rate Senior Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Senior Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Senior Notes.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The Trust Deed 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 also provides that the Trustee may, without the consent of the Noteholders, agree to (i) subject (in the case of the Subordinated Notes) to receiving no objection from the FSA, any modification of, or waiver or authorisation of any breach or proposed breach of, any of the Conditions of the Notes which, in each case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders (or, in the case of a modification, in the opinion of the Trustee, is of a formal, minor or technical nature or is to correct a

manifest error), (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such and (iii) the substitution of another company as principal debtor in place of the Issuer and/or as guarantor in place of the Guarantor, in each case in the circumstances described in the Conditions.

Change of law

The Conditions of the Notes are based on English law in effect as at the date of issue of the relevant 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 relevant Notes.

Integral multiples of less than EUR100,000

Although Notes which are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area are required under the Programme to have a minimum Specified Denomination of EUR100,000 (or its equivalent in any other currency), it is possible that the Notes may be traded in the clearing systems in amounts in excess of EUR100,000 (or its equivalent) that are not integral multiples of EUR100,000 (or its equivalent). In such a case, should Definitive Notes (as defined below) be required to be issued, Noteholders who, as a result of trading such amounts, hold Notes in the relevant clearing system in amounts that are not integral multiples of a Specified Denomination may need to purchase or sell, on or before the relevant exchange date, a principal amount of Notes such that their holding is equal to or an integral multiple of a Specified Denomination, otherwise such Noteholders may not receive all of their entitlements in the form of Definitive Notes.

Loss of investment

If, in the case of any particular Tranche of Senior Notes, the relevant Final Terms specifies that the Notes are Index Linked, there is a risk that any investor may lose the value of their entire investment or part of it if it is possible for such loss to be incurred in accordance with the Conditions of such Tranche of Notes.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and (if applicable) the Guarantor. Although application has been made for the Notes issued under the Programme to be admitted to trading on the London Stock Exchange, if so specified in the relevant Final Terms, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

Investors to rely on the procedures of Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the Issuer and the Guarantor

Notes issued under the Programme may be represented by one or more Global Notes or Global Note Certificates. Such Global Notes and Global Note Certificates (as defined in "Summary of Provisions relating to the Notes while in Global Form") may be deposited with a common depositary or, if the Global Notes are New Global Notes or the Global Note Certificates will be held under the NSS, a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note or Global Note Certificate, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream,

Luxembourg will maintain records of the beneficial interests in the Global Notes or (as the case may be) Global Note Certificates. While the Notes are represented by one or more Global Notes, or (as the case may be) Global Note Certificates, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes or (as the case may be) Global Note Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary or, for Global Notes that are New Global Notes or Global Note Certificates which are held under the NSS, the common safekeeper for Euroclear and Clearstream, Luxembourg. A holder of a beneficial interest in a Global Note or Global Note Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Note Certificates.

Holders of beneficial interests in the Global Notes or Global Note Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities, each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Risks related to the Subordinated Notes

The Subordinated Notes are subordinated to most of the Issuer's and the Guarantor's liabilities

If the Issuer or (where applicable) the Guarantor is declared insolvent and a winding-up is initiated, the Issuer or the Guarantor (as the case may be) will be required to pay the holders of its senior debt and meet its obligations to all of its other creditors (including unsecured creditors, but excluding any obligations that they may have with respect to its subordinated debt) in full before the Issuer or the Guarantor (as applicable) can make any payments on the Subordinated Notes. If this occurs, there may not be enough assets remaining after these payments to pay amounts due under the Subordinated Notes. Therefore there is a significant risk that an investor in the Subordinated Notes will lose all or some of its investment in the Subordinated Notes should the Issuer and/or the Guarantor become insolvent.

Deferral of Interest Payments

The Issuer or, as the case may be, the Guarantor may on any Optional Interest Payment Date elect to defer paying interest on each Optional Interest Payment Date.

The Issuer and the Guarantor are each required to defer any payment of interest on the Subordinated Notes on each Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event or a Guarantor Regulatory Deficiency Interest Deferral Event (as applicable) has occurred and is continuing) and when the Issuer or, as the case may be, the Guarantor is in breach of the Issuer Solvency Condition (as defined in Condition 5.2 (*Issuer Solvency Condition*)) of the

Subordinated Notes) or the Guarantor Solvency Condition (as defined in Condition 6.4 (*Guarantor Solvency Condition*) of the Subordinated Notes), respectively.

Any interest in respect of the Subordinated Notes not paid on an Interest Payment Date, together with any other interest in respect thereof not paid on any earlier Interest Payment Date, may (subject to Condition 5.2 (*Issuer Solvency Condition*) or, as the case may be, Condition 6.4 (*Guarantor Solvency Condition*) of the Subordinated Notes) be paid in whole or in part at any time and in any event will automatically become immediately due and payable in whole upon the earlier of:

- (i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date on which payment of interest is made; or
- (ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer or, as the case may be, the Guarantor (other than a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer or the Guarantor (as applicable) of a successor in business of the Issuer or the Guarantor, the terms of which reconstruction, amalgamation or substitution (a) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (b) do not provide that the Subordinated Notes shall thereby become payable) or an administrator of the Issuer or, as the case may be, the Guarantor has been appointed and given notice that it intends to declare and distribute a dividend; or
- (iii) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer or the Guarantor; or
- (iv) the next Interest Payment Date which is not a Mandatory Interest Deferral Date on which (x) a declaration of payment of dividends, interest or other payment is made in respect of any Issuer Junior Securities or Guarantor Junior Securities (if Subordinated Guarantee is specified in the relevant Final Terms), or (y) any Issuer Pari Passu Securities, Issuer Junior Securities, Guarantor Pari Passu Securities (if Subordinated Guarantee is specified in the relevant Final Terms) or Guarantor Junior Securities (if Subordinated Guarantee is specified in the relevant Final Terms) are purchased by the Issuer, the Guarantor (as the case may be) or any Subsidiary of the Issuer or the Guarantor (as the case may be).

Arrears of Interest and any other amount, payment of which is so deferred, shall not themselves bear interest.

Redemption and Exchange Risk

The Subordinated Notes may, subject as provided in Condition 10 (*Redemption, Substitution, Variation, Purchase and Options*) of the Subordinated Notes, be redeemed at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption and any Arrears of Interest at the option of the Issuer or, as the case may be, the Guarantor on any Optional Redemption Date. In addition, upon the occurrence of a Tax Event, a Capital Disqualification Event or a Rating Methodology Event (if Rating Methodology Call is specified), the Subordinated Notes may be (i) substituted for, or their terms varied so that they become, Qualifying Dated Tier 2 Securities or, in the case of Rating Methodology Event, Rating Agency Compliant Securities; or (ii) redeemed in the case of (x) a Tax Event, at their outstanding principal amount, (y) a Capital Disqualification Event, at the Capital Disqualification Redemption Price or (z) in the case of a Rating Methodology Event, at the Special Redemption Price, together in each case with Arrears of Interest, all as more particularly described in Condition 10 (*Redemption, Substitution, Variation, Purchase and Options*) of the Subordinated Notes.

No limitation on issuing senior or pari passu securities

There is no restriction on the amount of securities which the Issuer or the Guarantor may issue and which may rank senior to, or *pari passu* with, the Subordinated Notes and the Subordinated Guarantee, respectively. The issue of any such securities may reduce the amount recoverable by holders of Subordinated Notes on a winding-up of the Issuer or the Guarantor.

Restricted remedy for non-payment

In accordance with FSA requirements for subordinated capital, the sole remedy against the Issuer and the Guarantor available to the Trustee or (where the Trustee has failed to proceed against the Issuer, or as the case may be, the Guarantor, as provided in the Terms and Conditions of the Subordinated Notes) any holder of Subordinated Notes for recovery of amounts owing in respect of the Subordinated Notes and Coupons will be the institution of proceedings for the winding-up of the Issuer or, as the case may be, the Guarantor and/or proving in such winding-up or administration and/or claiming in the liquidation of the Issuer or the Guarantor (as applicable) for such amounts.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the “**Directive**”) on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to (or for the benefit of), or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead impose a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld), unless during such period they elect otherwise.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures to the Directive (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to (or for the benefit of), or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

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 pursuant to the Directive or any law implementing or complying with or introduced in order to conform to the Directive, neither the Issuer, the Guarantor (if applicable) 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 and the Guarantor are required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive or any law implementing or complying with or introduced in order to conform to the Directive.

U.S. Foreign Account Tax Compliance Withholding

The Issuer and other non-U.S. financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Notes issued or materially modified on or after 1 January 2013 and (ii) any Notes which are treated as equity for U.S. federal tax purposes, whenever issued, pursuant to the foreign account provisions (“**FATCA**”) of the Hiring Incentives to Restore Employment Act of 2010. This withholding tax may be triggered if (i) the Issuer is a foreign financial institution (“**FFI**”) (as defined in FATCA) which enters into and complies with an agreement with the U.S. Internal Revenue Service (“**IRS**”) to provide certain information on its account holders (making the Issuer a “**Participating FFI**”), (ii) the Issuer has a positive “passthru percentage” (as defined in FATCA), and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA, or

(b) any FFI through which payment on such Notes is made is not a Participating FFI or otherwise exempt from FATCA withholding. The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Issuer, the Guarantor, any paying agent or any other person would, pursuant to the Terms and Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. Holders of the Notes should consult their own tax advisers on how these rules may apply to payments they receive under the Notes.

The application of FATCA to Notes issued or materially modified on or after 1 January 2013 (or whenever issued, in the case of Notes treated as equity for U.S. federal tax purposes) may be addressed in relevant Final Terms or a supplementary prospectus to this Prospectus, as applicable.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE GUARANTOR, THE NOTES AND THE HOLDERS IS UNCERTAIN AT THIS TIME. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have been (i) previously published and (ii) approved by the Financial Services Authority or filed with it, shall be incorporated in, and form part of, this Base Prospectus:

- the consolidated financial statements of the Issuer for the year ended 31 December 2010, as set out on pages 87 – 204 of the Issuer's 2010 Annual Report and Accounts, save for the pro forma financial information contained on page 91 thereof;
- the consolidated financial statements of the Issuer for the year ended 31 December 2011, as set out on pages 87 – 204 of the Issuer's 2011 Annual Report and Accounts, save for the pro forma financial information contained on page 91 thereof;
- the financial statements of the Guarantor for the year ended 31 December 2010; and
- the financial statements of the Guarantor for the year ended 31 December 2011,

together, in each case, with the audit report thereon. Such documents shall be incorporated in and form part of this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Those parts of the documents incorporated by reference in this Prospectus which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Prospectus.

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected, free of charge, at the registered office of the Issuer and the Guarantor.

Any information incorporated by reference in the above documents does not form part of the Base Prospectus.

SUPPLEMENTARY PROSPECTUS

If, at any time, the Issuer or the Guarantor shall be required to prepare a supplementary prospectus pursuant to section 87G of the FSMA, the Issuer and the Guarantor will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further Base Prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the regulated market of the London Stock Exchange, shall constitute a supplementary prospectus as required by the FSA and section 87G of the FSMA.

Each of the Issuer and the Guarantor has given an undertaking to the Dealers that, if at any time during the duration of the Programme a significant new factor, material mistake or inaccuracy relating to the information in the Base Prospectus arises which is material in the context of the Programme or the assessment of the Notes to be issued under the Programme, the Issuer and the Guarantor shall prepare an amendment or supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section, the expression “necessary information” means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme, the Issuer and the Guarantor have endeavoured to include in this Base Prospectus all of the necessary information, except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, may be contained in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (i) by a single document containing the necessary information relating to the Issuer, the Guarantor (if applicable) and the relevant Notes or (ii) by a registration document (the “**Registration Document**”) containing the necessary information relating to the Issuer and (if applicable) the Guarantor, a securities note (the “**Securities Note**”) containing the necessary information relating to the relevant Notes and, if necessary, a summary note.

FORMS OF THE NOTES

Bearer Notes

Each Tranche of Notes in bearer form will initially be in the form of either a temporary global note (the “**Temporary Global Note**”), without interest coupons, or a permanent global note (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or (as the case may be) Permanent Global Note (each a “**Global Note**”) which is not intended to be issued in new global note (“**NGN**”) form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear System (“**Euroclear**”) and/or Clearstream Banking, *société anonyme*, Luxembourg (“**Clearstream, Luxembourg**”) and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006, the European Central Bank (the “**ECB**”) announced that Notes in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the euro (the “**Eurosystem**”), provided that certain other criteria are fulfilled. At the same time, the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Principal Paying Agent; and
- (ii) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership, within seven days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; **provided, however, that** in no circumstances

shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form (the “**Definitive Notes**”):

- (a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (b) at any time, if so specified in the relevant Final Terms; or
- (c) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 14 (*Events of Default*) of the Senior Notes or Condition 14 (*Events of Default and Enforcement*) of the Subordinated Notes (as the case may be) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange. An exchange for Registered Notes will be made at any time or from such date or may be specified in the relevant Final Terms, in each case, without any requirement for certification.

Permanent Global Note exchangeable for Definitive Notes or Registered Notes

If the relevant Final Terms specifies the form of Notes as being Permanent Global Note exchangeable for Definitive Notes and/or Registered Notes (as the case may be), then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes and/or Registered Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 14 (*Events of Default*) of the Senior Notes or (in relation to exchange into Definitive Notes only) Condition 14 (*Events of Default and Enforcement*) of the Subordinated Notes (as the case may be) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes and/or Registered Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes and/or Registered Notes, duly authenticated and to the extent applicable, with Receipts, Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

Terms and Conditions applicable to Bearer Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “Terms and Conditions of the Senior Notes” or under “Terms and Conditions of the Subordinated Notes” (as the case may be) and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form” below.

Registered Notes

Each Tranche of Registered Notes will be in the form of either individual Note Certificates in registered form (“**Individual Note Certificates**”) or a Global Note in registered form (a “**Global Note Certificate**” and also a “**Global Note**”), in each case as specified in the relevant Final Terms. Each Global Note Certificate will either be: (i) in the case of a Note which is not to be held under the New Safekeeping Structure, registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Global Note Certificate will be deposited on or about the issue date with the common depository and will be exchangeable in accordance with its terms; or (ii) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the relevant Final Terms specifies the form of Notes as being “Individual Note Certificates”, then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the relevant Final Terms specifies the form of Notes as being “Global Note Certificate exchangeable for Individual Note Certificates”, then the Notes will initially be in the form of a Global Note Certificate which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (b) at any time, if so specified in the relevant Final Terms; or

- (c) if the relevant Final Terms specifies “in the limited circumstances described in the Global Note Certificate”, then if (I) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (II) any of the circumstances described in Condition 14 (*Events of Default*) of the Senior Notes or (in relation to exchange into Definitive Notes only) Condition 14 (*Events of Default and Enforcement*) of the Subordinated Notes (as the case may be) occurs.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery by or on behalf of the registered Holder of the Global Note Certificate to the Registrar or the Transfer Agent (as the case may be) of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person’s holding) against the surrender of the Global Note Certificate at the specified office of the Registrar or the Transfer Agent (as the case may be). Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar or the Transfer Agent (as the case may be) may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If (a) Individual Note Certificates have not been issued and delivered by 5.00 p.m. (London time) on the 30th day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Note Certificate or (b) any of the Notes evidenced by the Global Note Certificate has become due and payable in accordance with the relevant Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the registered Holder of the Global Note Certificate on the due date for payment in accordance with the terms of the Global Note Certificate, then the Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such 30th day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the Holder will have no further rights thereunder (but without prejudice to the rights which the Holder or others may have under the Trust Deed). Under the Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg (or other relevant clearing system) as being entitled to interests in the Notes will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note Certificate became void, they had been the registered Holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear, Clearstream, Luxembourg or other relevant clearing system (as the case may be).

Terms and Conditions applicable to the Registered Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under “Terms and Conditions of the Notes” below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Note Certificate will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form”.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“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.”

TERMS AND CONDITIONS OF THE SENIOR NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms in respect of Senior Notes, will be endorsed on each Senior Note in definitive form issued under the Programme. The terms and conditions applicable to any Senior Note in global form will differ from those terms and conditions which would apply to the Senior Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

1 Introduction

1.1 Programme

Standard Life plc (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to EUR3,000,000,000 in aggregate principal amount of notes (the "**Notes**") guaranteed by Standard Life Assurance Limited (the "**Guarantor**"). Senior Notes shall be guaranteed by the Guarantor only if so specified in the relevant Final Terms.

1.2 Final Terms

Senior Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Senior Notes where each Tranche of Senior Notes, together with any further Tranche or Tranches of Senior Notes, are: (i) expressed to be consolidated and form a single series; and (ii) identical in all respects (including as to listing, if any) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices. Each Tranche is the subject of a final terms applying to Senior Notes (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Senior Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

1.3 The Senior Notes are constituted by a trust deed dated 10 May 2012 (as amended, restated or supplemented from time to time, the "**Trust Deed**") between the Issuer, the Guarantor and HSBC Corporate Trustee Company (UK) Limited as trustee (the "**Trustee**"), which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 7 June 2011 (the "**Agency Agreement**") between the Issuer, the Guarantor, HSBC Bank plc as Principal Paying Agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Senior Notes) and as registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Senior Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Senior Notes), the transfer agents named therein (together with the transfer agent mentioned above, the "**Transfer Agents**", which expression shall include any successor or additional transfer agents appointed from time to time in connection with the Senior Notes) and the Trustee.

1.4 The Senior Notes

All references in these Conditions to "**Senior Notes**" are to the Senior Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at the registered office for the time being at the Specified Office of the Principal Paying Agent, the initial Specified Office of which is set out below.

1.5 Summaries

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The holders of the Senior Notes (the “**Noteholders**”) and the holders of the related interest coupons, if any, (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

2 Interpretation

2.1 Definitions

In these Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Final Terms;

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Australian dollars**” means the lawful currency of Australia;

“**Business Day**” means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day;
- (iii) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred, **provided, however, that:**
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

- (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Calculation Agent" means the Principal Paying Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"Calculation Amount" has the meaning given in the relevant Final Terms;

"Coupon Sheet" means, in respect of a Senior Note, a coupon sheet relating to the Senior Note;

"Day Count Fraction" means, in respect of the calculation of an amount of interest for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if **"Actual/Actual (ICMA)"** is so specified, means:
 - (A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (i) the actual number of days in such Regular Period and (ii) the number of Regular Periods in any year; and
 - (B) where the Calculation Period is longer than one Regular Period, the sum of:
 - (i) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if **"Actual/365 (Sterling)"** is so specified, means the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iii) if **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iv) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (v) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;

- (vi) if “30/360” is so specified, means the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

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

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

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

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (vii) if “30E/360” or “Eurobond Basis” is so specified means, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

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

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

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

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

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

provided, however, that, in each such case, the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“Early Redemption Amount” means, in respect of any Senior Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

“Early Redemption Amount (Tax)” means, in respect of any Senior Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“EUR” and **“euro”** mean the single currency unit of the Participating Member States;

“Euro-zone” means the region comprising of member states of the European Union that adopt the single currency in accordance with the Treaty;

“Extraordinary Resolution” has the meaning given in the Trust Deed;

“Final Redemption Amount” means, in respect of any Senior Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“First Interest Payment Date” means the date specified in the relevant Final Terms;

“Fixed Coupon Amount” has the meaning given in the relevant Final Terms;

“Group” means the Issuer and its Subsidiaries from time to time;

“Interest Amount” means, in relation to a Senior Note and an Interest Period, the amount of interest payable in respect of that Senior Note for that Interest Period;

“Interest Commencement Date” means the Issue Date of the Senior Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“Interest Determination Date” has the meaning given in the relevant Final Terms;

“Interest Payment Date” means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“Interest Period” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“ISDA Definitions” means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Senior Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.), unless otherwise specified hereon;

“Issue Date” has the meaning given in the relevant Final Terms;

“Margin” has the meaning given in the relevant Final Terms;

“Maturity Date” has the meaning given in the relevant Final Terms;

“Maximum Redemption Amount” has the meaning given in the relevant Final Terms;

“Minimum Redemption Amount” has the meaning given in the relevant Final Terms;

“New Zealand dollars” means the lawful currency of New Zealand;

“Optional Redemption Amount (Call)” means, in respect of any Senior Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“Optional Redemption Amount (Put)” means, in respect of any Senior Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“Optional Redemption Date (Call)” has the meaning given in the relevant Final Terms;

“Optional Redemption Date (Put)” has the meaning given in the relevant Final Terms;

“Participating Member State” means a member state of the European Communities which has adopted the euro as its lawful currency in accordance with the treaty establishing the European Communities, as amended;

“Payment Business Day” means:

- (i) if the currency of payment is euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“Principal Financial Centre” means, in relation to any currency, the principal financial centre for that currency, **provided, however, that:**

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“Put Option Notice” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Senior Note at the option of the Noteholder;

“Put Option Receipt” means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Senior Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Senior Note at the option of the Noteholder;

“Rate of Interest” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Senior Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Redemption Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon;

“Reference Price” has the meaning given in the relevant Final Terms;

“Reference Rate” has the meaning given in the relevant Final Terms;

“Regular Period” means:

- (i) in the case of Senior Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Senior Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Senior Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

“Relevant Date” means, in relation to any payment, whichever is the later of (i) the date on which the payment in question first becomes due and (ii) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or, in the case of Registered Notes, the Registrar on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“Relevant Financial Centre” has the meaning given in the relevant Final Terms;

“Relevant Screen Page” means such page, section or other part of a particular information service specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“Relevant Time” has the meaning given in the relevant Final Terms;

“Reserved Matter” has the meaning given in the Trust Deed with respect to Senior Notes;

“Specified Currency” has the meaning given in the relevant Final Terms;

“Specified Denomination(s)” has the meaning given in the relevant Final Terms;

“Specified Office” has the meaning given in the Agency Agreement;

“Specified Period” has the meaning given in the relevant Final Terms;

“sterling” and **“£”** means the lawful currency of the United Kingdom;

“**Subsidiary**” has the meaning given in Section 1159 of the Companies Act 2006 (as amended from time to time);

“**Talon**” means a talon for further Coupons;

“**TARGET2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in euro;

“**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland; and

“**Zero Coupon Note**” means a Senior Note specified as such in the relevant Final Terms.

2.2 Interpretation

In these Conditions:

- (i) if the Senior Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Senior Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Senior Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13, any premium payable in respect of a Senior Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Senior Notes being “outstanding” shall be construed in accordance with the Trust Deed;
- (vii) if an expression is stated in Condition 2.1 above to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Senior Notes; and
- (viii) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement (as the case may be) as amended, restated and/or supplemented up to and including the Issue Date of the Senior Notes.

3 Form, Denomination and Title

Form of Senior Notes

- 3.1 Senior Notes are issued in bearer form (“**Bearer Notes**”) and/or in registered form (“**Registered Notes**”), as specified in the relevant Final Terms. Bearer Notes issued in definitive form are referred to as “**Definitive Notes**”. Definitive Notes are serially numbered.
- 3.2 Interest-bearing Definitive Notes have attached thereto at the time of their initial delivery coupons (“**Coupons**”), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. In addition, if required, such Notes have attached thereto at the time of

their initial delivery a talon (“**Talon**”) for further coupons and the expression “Coupons” shall, where the context so requires, include Talons.

- 3.3 Bearer Notes, the principal amount of which is repayable in instalments (“**Instalment Notes**”) which are Definitive Notes have attached thereto at the time of their initial delivery payment receipts (“**Receipts**”) in respect of the instalments of principal.
- 3.4 Senior Notes may be issued on a partly paid basis (“**Partly Paid Notes**”), if so specified in the relevant Final Terms, and any further or alternative terms applicable thereto shall be as may be specified in the relevant Final Terms.
- 3.5 Senior Notes may be issued on such other basis as may be specified in the relevant Final Terms, **provided that** Senior Notes may not be issued on a limited recourse basis or where payment of principal or interest is linked to the performance of the Issuer.
- 3.6 Senior Notes shall be guaranteed by the Guarantor only if so specified in the relevant Final Terms.

Denomination of Bearer Notes

- 3.7 Bearer Notes are in the Specified Denomination(s) (each of which denomination is integrally divisible by each smaller denomination) specified in the relevant Final Terms save that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (2003/71/EC). The minimum specified denomination shall be at least EUR100,000 (or its equivalent in any other currency as at the date of issue of the Senior Notes), **provided that**, if such Senior Notes are issued: (i) at a discount, they may only be offered if their issue price expressed as a numerical value is no less than EUR100,000 (or its equivalent in any other currency); (ii) on a partly-paid basis, they may only be offered if paid-up by their initial holders to at least such amount; (iii) with a denomination of precisely EUR100,000 (or its equivalent in any other currency), they may only be offered on a fully-paid basis and at par or at a premium.

So long as the Senior Notes are represented by a Global Note and the relevant clearing system(s) so permit, the Senior Notes shall be tradeable in minimum nominal amounts of EUR100,000 (or its equivalent in any other currency) and integral multiples of EUR1,000 (or its equivalent in any other currency) thereafter.

Denomination of Registered Notes

- 3.8 Registered Notes are in the minimum denomination(s) specified in the relevant Final Terms or integral multiples thereof in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (2003/71/EC). The minimum specified denomination shall be at least EUR100,000 (or its equivalent in any other currency as at the date of issue of the Senior Notes), **provided that**, if such Senior Notes are issued: (i) at a discount, they may only be offered if their issue price expressed as a numerical value is no less than EUR100,000 (or its equivalent in any other currency); (ii) on a partly-paid basis, they may only be offered if paid up by their initial holders to at least such amount; (iii) with a denomination of precisely EUR100,000 (or its equivalent in any other currency), they may only be offered on a fully-paid basis and at par or at a premium.

Denomination of Senior Notes with a maturity of less than one year

- 3.9 Senior Notes which have a maturity of less than one year will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Currency of Senior Notes

- 3.10** The Senior Notes are denominated in the Specified Currency specified in the relevant Final Terms. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Contracts (Right of Third Parties) Act 1999

- 3.11** No person shall have any rights to enforce any term or condition of the Senior Notes, the Trust Deed or the Agency Agreement under the Contracts (Rights of Third Parties) Act 1999.

4 Title and Transfer

- 4.1** Title to Bearer Notes, Receipts and Coupons passes by delivery. References herein to the “**Holders**” of Bearer Notes or of Receipts or Coupons are to the bearers of such Bearer Notes or such Receipts or Coupons and the term “**Noteholders**” shall have a corresponding meaning.
- 4.2** Title to Registered Notes passes by registration in the register which the Issuer shall procure to be kept by or on behalf of the Registrar (the “**Register**”). References herein to the “**Holders**” of Registered Notes are to the persons in whose names such Registered Notes are so registered in the Register and the term “**Noteholders**” shall have a corresponding meaning. A certificate (each a “**Certificate**”) will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- 4.3** The Holder of any Bearer Note, Coupon or Registered Note will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing on the relevant Senior Note or Certificate, or any theft or loss thereof) and no person shall be liable for so treating such Holder and the Issuer, the Trustee, the Paying Agents, the Transfer Agents and the Registrar shall not be required to obtain proof thereof or as to the identity of the Holder.

Transfer of Registered Notes and exchange of Bearer Notes for Registered Notes

- 4.4** A Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement and further subject to the provisions of Condition 4.8 below, be transferred, in whole or in part only (**provided that** such part is, or is an integral multiple of, the minimum denomination specified in the relevant Final Terms), upon the surrender of the relevant Certificate, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any Transfer Agent. A new Certificate will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Certificate in respect of the balance not transferred will be issued to the transferor.
- 4.5** If so specified in the Final Terms and subject to the provisions of Condition 4.8 below, the Holder of Bearer Notes may exchange the same for the same aggregate principal amount of Registered Notes upon the terms and subject to the conditions set forth in the Agency Agreement. In order to exchange a Bearer Note for a Registered Note, the Holder thereof shall surrender such Bearer Note at the specified office outside the United States of the Principal Paying Agent, the Registrar or of any Transfer Agent together with a written request for the exchange. Each Bearer Note so surrendered must be accompanied by all unmatured Receipts and Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 4.6 below) where the exchange date would, but for the provisions of Condition 4.6 below, occur between the Record Date (as defined in Condition 12.2(ii)) for such payment of interest and the date on which such payment of interest falls due.

- 4.6** A Certificate representing each new Registered Note or Notes to be issued upon the transfer of a Registered Note or the exchange of a Bearer Note for a Registered Note will, within three Relevant Banking Days of the transfer date or, as the case may be, the exchange date (all as defined below) be available for collection by each relevant Holder at the specified office of the Registrar or the Transfer Agent (as the case may be) or, at the option of the Holder requesting such exchange or transfer, be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer or request for exchange received by the Registrar, the Principal Paying Agent or any Transfer Agent (as the case may be) after the Record Date in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar, the Principal Paying Agent or such Transfer Agent (as the case may be) until the day following the due date for such payment. For the purposes of these Conditions:
- (i) “**Relevant Banking Day**” means a day, other than a Saturday or Sunday, on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar or the Transfer Agent is located and, in the case only of an exchange of a Bearer Note for a Registered Note where such request for exchange is made to the Principal Paying Agent, in the place where the specified office of the Principal Paying Agent is located;
 - (ii) the “**exchange date**” shall be the Relevant Banking Day following the day on which the relevant Bearer Note shall have been surrendered for exchange in accordance with Condition 4.5 above; and
 - (iii) the “**transfer date**” shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with Condition 4.4 above.
- 4.7** The issue of new Registered Notes on transfer or on the exchange of Bearer Notes for Registered Notes will be effected without charge by or on behalf of the Issuer, the Guarantor, the Principal Paying Agent, the Registrar or the Transfer Agent, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Guarantor, the Principal Paying Agent, the Registrar or the Transfer Agent may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.
- 4.8** No Holder may require the transfer of a Registered Note to be registered or a Bearer Note to be exchanged for a Registered Note during the period of 15 days ending on the due date for the payment of any principal or interest in respect of such Note or once the Notes have been put in accordance with Condition 11.5.

5 Guarantee and Status

5.1 Senior Guarantee

If so specified in the relevant Final Terms, the Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer in relation to the Senior Notes issued pursuant to such Final Terms under the Trust Deed, the Senior Notes, the Receipts and the Coupons. Its obligations in that respect (the “**Senior Guarantee**”) are contained in the Trust Deed.

5.2 Status of the Senior Notes and the Senior Guarantee

The Senior Notes and the related Coupons and Receipts constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves. The payment obligations of the Issuer under the Senior Notes and the related Coupons and Receipts, and of the Guarantor under the Senior Guarantee, shall at all times rank at least *pari passu* with all other present and future unsecured obligations of the Issuer and the Guarantor, respectively, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

6 Negative Pledge

So long as any of the Senior Notes remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will create or have outstanding any mortgage, charge, pledge, lien or other encumbrance (other than any arising by operation of law) upon the whole or any part of its or their respective undertakings or assets (other than assets representing the fund or funds maintained by the Issuer or the Guarantor in respect of long-term business (as defined in the Financial Services and Markets Act 2000)) present or future, to secure any Relevant Indebtedness (as defined below) or to secure any guarantee or indemnity in respect thereof, without, simultaneously, with, or prior to, the creation of such security, securing the Senior Notes equally and rateably therewith to the satisfaction of the Trustee, or providing other security therefor which the Trustee in its absolute discretion shall deem not materially less beneficial to the Senior Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Senior Noteholders.

“Relevant Indebtedness” means any indebtedness for moneys borrowed (as defined below) (other than (i) indebtedness which has a stated maturity not exceeding one year or (ii) any indebtedness which comprises non-recourse borrowings (as defined below) and which, in either case, is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which, with the agreement of the Issuer or the Guarantor, are quoted, listed, dealt in or traded on a stock exchange or over the counter or other recognised securities market.

“indebtedness for moneys borrowed” means the principal amount of:

- (i) all moneys borrowed; and
- (ii) all debentures (together, in each case, with any fixed or minimum premium payable on final redemption or repayment),

which are not, for the time being, beneficially owned by the Issuer or, as the case may be, the Guarantor;

“non-recourse borrowings” means any indebtedness for moneys borrowed to finance the ownership, acquisition, development and/or operation of an asset in respect of which the person or persons to whom any such indebtedness for moneys borrowed is or may be owed by the relevant borrower has or have no recourse whatsoever to the Issuer or the Guarantor for the repayment thereof other than:

- (i) recourse to such borrower for amounts limited to the cash flow or net cash flow from such asset; and/or
- (ii) recourse to such borrower for the purpose only of enabling amounts to be claimed in respect of such indebtedness for borrowed money in an enforcement of any encumbrance given by such borrower over such asset or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure indebtedness for moneys borrowed, provided that (A) the extent of such recourse to such borrower is limited solely to the amount of any recoveries made on such enforcement, and (B) such person or persons are not entitled, by virtue of any right or claim arising out of or in connection with such indebtedness for moneys borrowed, to commence proceedings for the winding-up or dissolution of the borrower or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of the borrower or any of its assets (save for the assets the subject of such encumbrance); and/or
- (iii) recourse to such borrower generally, or directly or indirectly to the Issuer, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof) by the person against whom such recourse is available.

7 Fixed Rate Note Provisions

7.1 Application

This Condition 7 is applicable to the Senior Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

7.2 Accrual of interest

The Senior Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 12. Each Senior Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent, the Trustee or (as the case may be) the Registrar has notified the Noteholders that it has received all sums due in respect of the Senior Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

7.3 Fixed Coupon Amount

The amount of interest payable in respect of each Senior Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Senior Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

7.4 Calculation of interest amount

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Senior Note divided by the Calculation Amount. For this purpose, a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

8 Floating Rate Note and Index-Linked Interest Note Provisions

8.1 Application

This Condition 8 is applicable to the Senior Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable.

8.2 Accrual of interest

The Senior Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 12. Each Senior Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Senior Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent, the Trustee or, as the case may be, the Registrar, has notified the Noteholders that it has received all sums due in respect of the Senior Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

8.3 Screen Rate Determination

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Senior Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of paragraph (i) above, such rate does not appear on that page or, in the case of paragraph (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre inter-bank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Senior Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Senior Notes in respect of a preceding Interest Period.

8.4 ISDA Determination

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Senior Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” means, in relation to any Interest Period, a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent (as defined in the ISDA Definitions) under an interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

8.5 Index-Linked Interest

If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Senior Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.

8.6 Maximum or Minimum Rate of Interest

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

8.7 Calculation of Interest Amount

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Senior Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose, a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

8.8 Calculation of other amounts

If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

8.9 Publication

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s), to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Senior Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

8.10 Notifications etc.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, (where relevant) the Guarantor, the Trustee, the Paying Agents, (where relevant) the Registrar, the Noteholders and the Couponholders and (subject as

aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

9 Zero Coupon Note Provisions

9.1 Application

This Condition 9 is applicable to the Senior Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

9.2 Late payment on Zero Coupon Notes

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (A) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (B) the day which is seven days after the Principal Paying Agent, the Trustee or (as the case may be) the Registrar has notified the Noteholders that it has received all sums due in respect of the Senior Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10 Dual Currency Note Provisions

10.1 Application

This Condition 10 is applicable to the Senior Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.

10.2 Rate of interest

If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

11 Redemption and Purchase

11.1 Scheduled redemption

Unless previously redeemed, or purchased and cancelled, the Senior Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 12.

11.2 Redemption for tax reasons

The Senior Notes may be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if, immediately before giving such notice, the Issuer (or, if the Senior Guarantee were called, the Guarantor) satisfies the Trustee that the Issuer or the Guarantor (as the case may be)

has or will become obliged to pay additional amounts as provided or referred to in Condition 13 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Senior Notes and such obligation cannot be avoided by the Issuer or the Guarantor (as the case may be) taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

- (A) where the Senior Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or the Guarantor (as the case may be) would be obliged to pay such additional amounts if a payment in respect of the Senior Notes were then due; or
- (B) where the Senior Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor (as the case may be) would be obliged to pay such additional amounts if a payment in respect of the Senior Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer or the Guarantor (as the case may be) shall deliver to the Trustee, copied to the Principal Paying Agent and the Registrar (as the case may be) (1) a certificate signed by two directors of the Issuer or the Guarantor (as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer or the Guarantor (as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in Conditions 11(B)(1) and (2) above and without further enquiry or any liability to any person for so doing, in which event they shall be conclusive and binding on the Noteholders. Upon the expiry of any such notice as is referred to in this Condition 11.2, the Issuer shall be bound to redeem the Senior Notes in accordance with this Condition 11.2.

11.3 Redemption at the option of the Issuer

If the Call Option is specified in the relevant Final Terms as being applicable, the Senior Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer giving not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Senior Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

11.4 Partial redemption

If the Senior Notes are to be redeemed in part only on any date in accordance with Condition 11.3 above:

- (i) in the case of Bearer Notes, the Senior Notes to be redeemed shall be selected by the drawing of lots in such place and in such manner as may be fair and reasonable in the circumstances taking account of prevailing market practices, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Senior Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 11.3 above shall specify the serial numbers of the Senior Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in

the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified; and

- (ii) in the case of Registered Notes, the Senior Notes shall be redeemed (so far as may be practicable) pro rata to their principal amounts, provided always that the amount redeemed in respect of each Senior Note shall be equal to the minimum denomination thereof or an integral multiple thereof,

subject always to compliance with all applicable laws and the requirements of any stock exchanges on which the relevant Senior Notes may be listed.

In the case of the redemption of part only of a Registered Note, a new Registered Note in respect of the unredeemed balance shall be issued in accordance with Conditions 4.4 to 4.8 which shall apply as in the case of Registered Notes as if such new Registered Note were in respect of the untransferred balance.

11.5 Redemption at the option of Noteholders

If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Senior Note, redeem such Senior Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 11.5, the holder of a Senior Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit the relevant Senior Note (together in the case of interest-bearing Definitive Notes, with any Unmatured Coupons appertaining thereto) with, in the case of a Bearer Note, any Paying Agent or, in the case of a Registered Note, the Registrar together with a duly completed Put Option Notice in the form obtainable from any Paying Agent or, as the case may be, the Registrar. The Paying Agent or, as the case may be, the Registrar with which a Senior Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Senior Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 11.5, may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Senior Note becomes immediately due and payable or, upon due presentation of any such Senior Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent or, as the case may be, the Registrar, shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Senior Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Senior Note is held by a Paying Agent or, as the case may be, the Registrar in accordance with this Condition 11.5, the depositor of such Senior Note and not such Paying Agent or, as the case may be, the Registrar shall be deemed to be the holder of such Senior Note for all purposes.

11.6 No other redemption

The Issuer shall not be entitled to redeem the Senior Notes otherwise than as provided in Conditions 11.1 to 11.5 above.

11.7 Early redemption of Zero Coupon Notes

Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Senior Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 11.7 or, if none is so specified, a Day Count Fraction of 30E/360.

11.8 Purchase

The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Senior Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.

11.9 Cancellation

All Senior Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

12 Payments

12.1 Bearer Notes

(i) Principal

Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Senior Notes at the Specified Office of any Paying Agent outside the United States by transfer to an account denominated in the currency in which the payment is due (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

(ii) Interest

Payments of interest shall, subject to Condition 12.1(viii) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 12.1(i) above.

(iii) Payments in New York City

Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (A) the Issuer and the Guarantor have appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Senior Notes in the currency in which the payment is due when due, (B) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (C) payment is permitted by applicable United States law without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(iv) Deductions for unmatured Coupons

If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Senior Note is presented without all unmatured Coupons relating thereto:

- (A) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing

Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

- (B) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
- (1) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "Relevant Coupons") being equal to the amount of principal due for payment; provided, however, that where this sub-paragraph (1) would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (2) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 12.1(i) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

(v) **Unmatured Coupons void**

If the relevant Final Terms specifies that this Condition 12.1(v) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Senior Note or early redemption in whole of such Senior Note pursuant to Condition 11.2, Condition 11.3, Condition 11.5 or Condition 14, all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(vi) **Payments on business days**

If the due date for payment of any amount in respect of any Senior Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(vii) **Payments other than in respect of matured Coupons**

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Senior Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 12.1(iii) above).

(viii) **Partial payments**

If a Paying Agent makes a partial payment in respect of any Senior Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(ix) **Exchange of Talons**

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Senior Notes, the Talon forming part of such Coupon Sheet may be

exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15). Upon the due date for redemption of any Senior Note, any unexchanged Talon relating to such Senior Note shall become void and no Coupon will be delivered in respect of such Talon.

12.2 Registered Notes

- (i) Payment of the Redemption Amount in respect of Registered Notes will be made against presentation and, save in the case of partial payment of the Redemption Amount, surrender of the relevant Registered Notes at the specified office of the Registrar. If the due date for payment of the Redemption Amount of any Registered Note is not a Payment Business Day, then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions in which event interest shall continue to accrue as provided in Condition 7, 8, 9 or 10, as appropriate.
- (ii) Payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar at the close of business (local time in the place of the specified office of the Registrar) on the fifteenth day prior to the due date for such payment (the “**Record Date**”).
- (iii) Payment will be made in the currency in which such amount is due by cheque posted to the Noteholder’s registered address (or, in the case of joint Holders, the first-named) not later than the relevant due date for payment unless, prior to the relevant Record Date, the Holder thereof (or, in the case of joint Holders, the first-named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency.

12.3 General Provisions

The following provisions apply to both Bearer Notes and Registered Notes. Payments of amounts due (whether principal, interest or otherwise) in respect of Senior Notes will be made in the currency in which such amount is due at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee.

(i) **Payments subject to fiscal laws**

All payments in respect of the Senior Notes are subject in all cases to any applicable fiscal or other laws and regulations in any jurisdiction (whether by operation of law or agreement of the Issuer or the Guarantor) and neither the Issuer nor the Guarantor will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 13. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

- (ii) Without prejudice to the generality of the foregoing, the Issuer and the Guarantor reserve the right to require any person receiving payment of principal or, as the case may be, payment of interest with respect to any Senior Note or Coupon to provide a Paying Agent with such certification or information as may be required to enable the Issuer or the Guarantor (as the case may be) to comply with the requirements of the United States Federal Income Tax laws or such other laws with which the Issuer or the Guarantor (as applicable) may be required to comply.

13 Taxation

13.1 Gross-up

All payments of principal and interest in respect of the Senior Notes, the Coupons and the Senior Guarantee by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Senior Note or Coupon:

- (i) held by or on behalf of a holder who (A) is able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residency or other similar claim for exemption to the relevant tax authority; or (B) is liable to such taxes, duties, assessments or governmental charges in respect of such Senior Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Senior Note or Coupon; or
- (ii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) 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 Senior Note or Coupon to another Paying Agent in a Member State of the EU; or
- (iv) presented for payment more than 30 days after the Relevant Date except to the extent that the holder of such Senior Note or Coupon would have been entitled to such additional amounts on presenting such Senior Note or Coupon for payment on the last day of such period of 30 days.

Notwithstanding any other provision in these Conditions, the Issuer or, as the case may be, the Guarantor shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**") as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer or the Guarantor, as the case may be, not being entitled to receive payments free of FATCA withholding. Providing that the Issuer and the Guarantor have used all reasonable endeavours to ensure that FATCA withholding does not apply to such payments as a result of the paying agent (or any other person acting on behalf of the Issuer or Guarantor) not being entitled to receive payments free of FATCA withholding, the Issuer or, as the case may be, the Guarantor shall not be liable to pay additional amounts, or otherwise be obliged to indemnify an investor, for any FATCA withholding deducted or withheld by the Issuer or the Guarantor, as the case may be, any paying agent or any other party.

13.2 Taxing jurisdiction

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the United Kingdom, references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

- 13.3 Any reference in these Conditions to principal or interest shall be deemed to include any Additional Amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 13 or any undertaking given in addition to or in substitution of this Condition 13 pursuant to the Trust Deed.

14 Events of Default

- 14.1 If any of the following events occurs and is continuing, then the Trustee at its discretion may, and if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Senior Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or prefunded to its satisfaction) give written notice to the Issuer and the Guarantor declaring the Senior Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

(i) **Non-payment**

the Issuer or the Guarantor fails to pay any amount of principal in respect of the Senior Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Senior Notes within 14 days of the due date for payment thereof; or

(ii) **Winding-up etc.**

an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer or the Guarantor (otherwise than in connection with a scheme of reconstruction, union, transfer, merger or amalgamation, the terms of which shall previously have been approved by the Trustee in writing or by an Extraordinary Resolution of the Noteholders of the relevant Series or in the case of a voluntary solvent winding-up); or

(iii) **Breach of undertaking**

the Issuer or the Guarantor defaults in performance or observance of or compliance with any of its other undertakings set out in the Senior Notes or the Trust Deed which default is incapable of remedy or which, if capable of remedy, is not in the opinion of the Trustee remedied within 30 days of written notice requiring remedy of such default being given to the Issuer or the Guarantor by the Trustee certifying that in its opinion the breach is materially prejudicial to the interests of the Noteholders; or

(iv) **Cross default**

(A) any other present or future indebtedness in respect of moneys borrowed or raised in an amount of £25,000,000 or more (or its equivalent in any other currency) of the Issuer or the Guarantor becomes due and payable prior to its stated maturity pursuant to a default; or

(B) any such indebtedness is not paid when due or (as the case may be) within any applicable grace period therefor; or

(C) the Issuer or the Guarantor fails to pay when due or (as the case may be) within any applicable grace period therefor any amount payable by it under any present or future

guarantee in an amount of £25,000,000 or more (or its equivalent in any other currency) (other than any guarantee given in the ordinary course of its business) for any indebtedness in respect of moneys borrowed or raised.

No indebtedness shall be taken into account in determining whether the threshold figure set out in paragraphs (A) and (C) above have been exceeded if and to the extent that such indebtedness is being contested by the Issuer or the Guarantor in good faith and where adequate provision has been made and is being maintained in respect thereof (the “**Contested Indebtedness**”), provided that it will be an Event of Default if the aggregate of Contested Indebtedness and all other indebtedness falling within paragraphs (A) to (C) above (which is not Contested Indebtedness) exceeds £50,000,000 (or its equivalent in any other currency or currencies); or

(v) **Distress or execution**

a distress or execution or other similar legal process in respect of a claim for £10,000,000 or more is levied or enforced or sued out upon or against any part of the property, assets or revenues of the Issuer or the Guarantor and is not discharged or stayed within 30 days of having been so levied, enforced or sued out; or

(vi) **Insolvency**

the Issuer or the Guarantor becomes insolvent or is unable to pay its debts as they mature or applies for or consents to or suffers the appointment of a liquidator or receiver or administrator or similar officer of itself or the whole or (in the opinion of the Trustee) any substantial part of its undertaking, property, assets or revenues or takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors or stops or threatens to cease to carry on its business or (in the opinion of the Trustee) any substantial part of its business except or for the purpose of a reconstruction, union, transfer, merger or amalgamation effected with the prior written consent of the Trustee; or

(vii) **Revoking of authorisation**

any authorisation or registration of the Issuer or the Guarantor which is necessary to carry on a material part of its business is cancelled, suspended or revoked.

14.2 If the Senior Notes become due and repayable pursuant to this Condition 14, they shall be repayable at the Early Redemption Amount (if one is specified hereon) together (where applicable) with accrued interest as provided in the Trust Deed.

14.3 For the purposes of the Events of Default in Conditions 14.1(ii) and (iv) to (vii) (inclusive), references to “the Guarantor” shall be applicable to all Tranches of Senior Notes, including those which are issued without the benefit of the Senior Guarantee.

15 Prescription

Claims for principal shall become void unless the relevant Senior Notes are presented for payment within 10 years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

16 Replacement of Senior Notes, Certificates, Coupons and Talons

If any Senior Note, Certificate, Receipt or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent or, in the case of Registered Notes, the Registrar (and, if the Senior Notes are then admitted to listing, trading and/or quotation by any competent

authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Senior Notes or Coupons must be surrendered before replacements will be issued.

17 Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or prefunded before taking any steps or actions or instituting proceedings and is relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequences for individual holders of Senior Notes or Coupons as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Senior Notes and the Coupons, the Paying Agents, the Registrar and the Transfer Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents, Registrar and Transfer Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer and the Guarantor reserve the right, with the prior approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent (including the Principal Paying Agent), the Registrar, any Transfer Agent or the Calculation Agent and to appoint a successor Principal Paying Agent, registrar or calculation agent and additional or successor paying agents or transfer agents; **provided, however, that:**

- (a) the Issuer and the Guarantor shall at all times maintain a Principal Paying Agent and (in the case of Registered Notes), a Registrar; and
- (b) the Issuer and the Guarantor shall at all times maintain a paying agent in an EU member state that will not be 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 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantor shall at all times maintain a Calculation Agent; and
- (d) if and for so long as the Senior Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents, the Registrar or any of the Transfer Agents or in their Specified Offices shall promptly be given to the Noteholders.

18 Transfer of Business of the Guarantor

In connection with any transfer of the whole or a substantial part of its business:

- (i) to another body in accordance with Part VII of the FSMA (a “**Successor**”); or
- (ii) to a single legal entity where such transfer is pursuant to the exercise by the FSA or the Financial Services Compensation Scheme of its powers in connection with any applicable law, rule or regulation,

the Guarantor shall procure that there be included in the transfer, all the liabilities and obligations of the Guarantor as principal obligor under the Senior Guarantee and references in these Conditions and the Trust Deed to the Guarantor shall be construed accordingly. Any such transfer may be made without prior approval from the Trustee or the Noteholders, but is without prejudice to any statutory right of the Trustee or the Noteholders to raise objections in respect of any such transfer.

In this Condition 18, “**a substantial part**” means any part which, as at the most recent valuation date by reference to the latest published financial statements of the Guarantor and as certified in writing by two Directors of the Guarantor to the Trustee, represents 50 per cent. or more of liabilities (where the amount of the liabilities of the Guarantor is deemed to mean the same as the technical provisions of the Guarantor, net of reinsurance and not including participations in subsidiaries) relating to policies underwritten by the Guarantor.

19 Meetings of Noteholders; Modification and Waiver

19.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Senior Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Senior Notes, **provided that** the Trustee is indemnified and/or secured and/or prefunded to its satisfaction. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Voters (as defined in the Trust Deed) holding or representing one more than half of the aggregate principal amount of the outstanding Senior Notes or, at any adjourned meeting, two or more Voters being or representing Noteholders, whatever the principal amount of the Senior Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Voters holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Senior Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders holding or representing 90 per cent. of the aggregate principal amount of the outstanding Senior Notes who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed shall take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

19.2 Modification and waiver

The Trustee may, without the consent of the Noteholders or Couponholders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Senior Notes or the Trust Deed

which is, in the opinion of the Trustee, of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders or Couponholders, authorise or waive any proposed breach of the Senior Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudicial thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

19.3 Substitution

The Trustee, if it is satisfied that to do so would not be materially prejudicial to the interests of the Noteholders or Couponholders, may agree with the Issuer and the Guarantor, without the consent of the Noteholders, Receiptholders or Couponholders, to the substitution:

- (i) in place of the Issuer (or of any previous Substitute Issuer under this Condition 19.3) as the principal debtor under this Trust Deed of either (A) the Guarantor or (B) any other subsidiary or any holding company (each as defined in Section 1159 of the Companies Act 2006) of the Issuer or (C) a successor in business to the Issuer (each a “**Substitute Issuer**”); or
- (ii) (where applicable) in place of the Guarantor (or of any previous Substitute Guarantor under this Condition 19.3) as guarantor under this Trust Deed of either (A) a successor in business to the Guarantor or (B) a subsidiary or holding company (each as defined in Section 1159 of the Companies Act 2006) of the Guarantor (each a “**Substitute Guarantor**”),

(and a Substitute Issuer or a Substitute Guarantor being hereinafter referred to as the “**Substitute Obligor**”), provided that, in each case:

- (A) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed, the Senior Notes, the Receipts, the Coupons and the Talons, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in the Trust Deed and on the Senior Notes, the Receipts, the Coupons and the Talons, as the principal debtor in place of the Issuer or (as the case may be) as the guarantor in place of the Guarantor (as the case may be) (or, in either case, any previous Substitute Obligor under this Condition 19.3);
- (B) (unless the Guarantor or the successor in business of the Issuer is the Substitute Issuer) the obligations of the Substitute Issuer under the Trust Deed, the Senior Notes, the Receipts, the Coupons and the Talons are guaranteed in a form and manner satisfactory to the Trustee by the Guarantor (or the successor in business of the Guarantor) on a basis equivalent to that referred to in Condition 5 and in the Trust Deed and in a form and manner satisfactory to the Trustee;
- (C) (where applicable, unless the successor in business of the Guarantor is the Substitute Guarantor or the substitution of the Guarantor is effected in accordance with paragraphs (G) or (H) below) the obligations of the Substitute Guarantor under the Trust Deed are guaranteed in a form and manner satisfactory to the Trustee by the Guarantor (or the successor in business of the Guarantor) on a basis equivalent to that referred to in Condition 5 and in the Trust Deed and in a form and manner satisfactory to the Trustee;
- (D) if the directors of the Substitute Obligor or other officers acceptable to the Trustee shall certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected, the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the

same with those of the Issuer or (as the case may be) the Guarantor or (as the case may be) any previous Substitute Obligor;

- (E) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the “**Substituted Territory**”) other than the territory of the taxing jurisdiction of which (or to any such authority of or in which) the Issuer or (as the case may be) the Guarantor is subject generally (the “**Original Territory**”), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 13 with the substitution for the references in that Condition and in Condition 11.2 to the Original Territory of references to the Substituted Territory whereupon the Trust Deed, the Senior Notes, the Receipts, the Coupons and the Talons will be read accordingly;
- (F) (where applicable, unless the successor in business of the Guarantor is the Substitute Guarantor) in the case of a substitution by a Substitute Guarantor, the Senior Notes shall be rated by each of the Rating Agencies both immediately prior to, and following, such substitution, and such ratings following any such substitution are expected to be no less than those assigned to the Senior Notes immediately prior thereto;
- (G) (where applicable, unless the successor in business of the Guarantor is the Substitute Guarantor) in the case of a substitution by a holding company of the Guarantor as a Substitute Guarantor with respect to any Senior Notes, the Trustee is satisfied that simultaneously with or prior to such substitution the obligations of the Guarantor under or in respect of all other Relevant Indebtedness (if any) shall be similarly substituted by obligations of the Substitute Guarantor; and
- (H) the Issuer, the Guarantor and the Substitute Obligor comply with such other requirements as are reasonable in the interests of the Noteholders, as the Trustee may direct.

“**Rating Agencies**” means, in respect of any applicable Tranche of Senior Notes, those rating agencies from whom the Issuer and/or the Guarantor have solicited a rating at the relevant time for the purposes of paragraph (G) above, provided that there shall be at least one such rating agency.

In connection with any proposed substitution as aforesaid, the Trustee shall have regard to the interests of the Noteholders as a class and the Trustee shall not have regard to the consequences of such substitution or such exercise for individual Noteholders, Receiptholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any substitution or such exercise as aforesaid, no Noteholder, Receiptholder or Couponholder shall be entitled to claim, whether from the Issuer, the Guarantor, the Substitute Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Noteholders, Receiptholders or Couponholders except to the extent already provided in Condition 13 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

20 Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Senior Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Senior Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of Senior Notes having the benefit of the Trust Deed.

21 Enforcement

The Trustee may at any time, at its discretion and without notice, take such steps or actions or institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Senior Notes, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Senior Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified and/or provided with security and/or prefunded to its satisfaction.

No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

22 Notices

22.1 To Holders of Bearer Notes

Notices to Holders of Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

22.2 To Holders of Registered Notes

Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the Register) at their respective addresses as recorded in the Register, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day. With respect to Registered Notes listed on the London Stock Exchange, any notices to Holders must also be published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*) and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

23 Currency Indemnity

If any sum due from the Issuer or the Guarantor in respect of the Senior Notes, the Coupons or the Senior Guarantee or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (i) making or filing a claim or proof against the Issuer or the Guarantor (as the case may be), (ii) obtaining an order or judgment in any court or other tribunal or (iii) enforcing any order or judgment given or made in relation to the Senior Notes, the Issuer or, as the case may be, the Guarantor, shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer or the Guarantor (as applicable) and delivered to the Issuer or the Guarantor (as applicable) or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (A) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (B) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of each of the Issuer and the Guarantor and shall give rise to a separate and independent cause of action.

24 Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (ii) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (iii) all Japanese yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese yen amount, and (iv) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

25 Governing Law and Jurisdiction

25.1 Governing law

The Senior Notes and the Trust Deed and all non-contractual obligations arising from or connected with the Senior Notes and the Trust Deed are governed by, and shall be construed in accordance with, English law.

25.2 Jurisdiction

Each of the Issuer and the Guarantor has in the Trust Deed (i) agreed for the benefit of the Trustee and the Noteholders that the Courts of England shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising from or connected with the Senior Notes; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; and (iii) consented to the enforcement of any judgment. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Noteholders from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Noteholders may take concurrent Proceedings in any number of jurisdictions.

TERMS AND CONDITIONS OF THE SUBORDINATED NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms in respect of Subordinated Notes, will be endorsed on each Subordinated Note in definitive form issued under the Programme. The terms and conditions applicable to any Subordinated Note in global form will differ from those terms and conditions which would apply to the Subordinated Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form".

1 Introduction

1.1 Programme

Standard Life plc (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to EUR3,000,000,000 in aggregate principal amount of notes (the "**Notes**") guaranteed (as to the Subordinated Notes only) by Standard Life Assurance Limited (the "**Guarantor**"). Subordinated Notes shall be guaranteed by the Guarantor only if so specified in the relevant Final Terms.

1.2 Final Terms

Subordinated Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Subordinated Notes where each Tranche of Subordinated Notes, together with any further Tranche or Tranches of Subordinated Notes, are: (i) expressed to be consolidated and form a single series; and (ii) identical in all respects (including as to listing, if any) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices. Each Tranche is the subject of a final terms applying to Subordinated Notes (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Subordinated Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

1.3 The Subordinated Notes are constituted by a trust deed dated 10 May 2012 (as amended, restated or supplemented from time to time, the "**Trust Deed**") between the Issuer, the Guarantor and HSBC Corporate Trustee Company (UK) Limited as trustee (the "**Trustee**"), which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 7 June 2011 (the "**Agency Agreement**") between the Issuer, the Guarantor, HSBC Bank plc as Principal Paying Agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Subordinated Notes) and as registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Subordinated Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Subordinated Notes), the transfer agents named therein (together with the transfer agent mentioned above, the "**Transfer Agents**", which expression shall include any successor or additional transfer agents appointed from time to time in connection with the Subordinated Notes) and the Trustee.

1.4 The Subordinated Notes

All references in these Conditions to "Subordinated Notes" are to the Subordinated Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at the Specified Office of the Principal Paying Agent, the initial Specified Office of which is set out below.

1.5 Summaries

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The holders of the Subordinated Notes (the “**Noteholders**”) and the holders of the related interest coupons (the “**Couponholders**” and the “**Coupons**”, respectively), if any, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

2 Interpretation

2.1 Definitions

In these Conditions, the following expressions have the following meanings:

“**Act**” means the Financial Services and Markets Act 2000;

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Arrears of Interest**” has the meaning given to it in Condition 5.2;

“**Assets**” means the non-consolidated gross assets of the Issuer or the Guarantor (as the case may be) as shown by the latest published audited balance sheet of the Issuer or the Guarantor (as applicable) but adjusted for contingencies and for subsequent events in such manner and to such extent as the relevant Directors, Auditors or, as the case may be, administrator or liquidator may determine to be appropriate;

“**Auditors**” means, in respect of each of the Issuer or the Guarantor, the auditors for the time being of the Issuer or the Guarantor (and, in the case of joint auditors, the joint auditors thereof) or, in the event of their being unable or unwilling to carry out any action requested of them pursuant to the provisions of these Conditions, such other firm of accountants as may be nominated by the Issuer or the Guarantor (as applicable);

“**Australian dollars**” means the lawful currency of Australia;

“**Business Day**” means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

- (iii) **“Preceding Business Day Convention”** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **“FRN Convention”, “Floating Rate Convention” or “Eurodollar Convention”** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred, **provided, however, that:**
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“Calculation Agent” means the Principal Paying Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

“Calculation Amount” has the meaning given in the relevant Final Terms;

“Capital Disqualification Event” is deemed to have occurred if as a result of (i) any change to (or change to the interpretation by any court or authority entitled to rule on such interpretation) the Directives or their Relevant Rules, (ii) the implementation of Solvency II or its Relevant Rules, or (iii) any change to (or a change to the interpretation by any court or authority entitled to rule on such interpretation) Solvency II or its Relevant Rules following their implementation:

- (A) the Subordinated Notes are no longer capable of counting (including where, in circumstances where such capability derives from transitional or grandfathering provisions under the Directive, Solvency II or the Relevant Rules, as appropriate, the full principal amount (or such other amount as may be specified in the relevant Final Terms) of the Subordinated Notes outstanding at such time are not capable of counting); or
- (B) in the circumstances where such capability derives from transitional or grandfathering provisions under the Directive, Solvency II or the Relevant Rules, as appropriate, the full principal amount (or, if such indebtedness was issued at a price below par, the principal amount that was capable of counting as at its issue date) of (x) the Subordinated Notes outstanding at such time or (y) any indebtedness outstanding at such time and classified in the same category as the Subordinated Notes by the Supplementary Supervisor or the Group Supervisor, as appropriate, for the purposes of any transitional or grandfathering provisions under the Directive, Solvency II or the Relevant Rules, as appropriate, is not capable of counting,

in either case:

- (a) as cover for capital requirements or treated as own funds (however such terms might be described in the Directive, Solvency II or their respective Relevant Rules) applicable to the Issuer,

the Group or any insurance undertaking within the Group whether on a solo, group or consolidated basis; and

- (b) as Tier 2 Capital for the purposes of the Issuer, the Group or any insurance undertaking within the Group whether on a solo, group or consolidated basis,

except where, in the case of either paragraph (a) and (b) above, such non-qualification is only as a result of any applicable limitation on the amount of such capital (other than the limitation set out in paragraph (B) above);

“Compulsory Interest Payment Date” means any Interest Payment Date (i) in respect of which during the immediately preceding six months a Compulsory Interest Payment Event has occurred, (ii) that is not a Mandatory Interest Deferral Date and (iii) on which the Issuer Solvency Condition or the Guarantor Solvency Condition (as the case may be) is satisfied;

“Compulsory Interest Payment Event” means:

- (i) any declaration, payment or making of a dividend or distribution by the Issuer or the Guarantor (if Subordinated Guarantee is specified in the relevant Final Terms) to its ordinary shareholders;
- (ii) any repurchase by the Issuer or the Guarantor (if Subordinated Guarantee is specified in the relevant Final Terms) of its ordinary shares for cash, provided such repurchase is not made in the ordinary course of business of the Issuer or the Guarantor (as applicable) in connection with any share option scheme or share ownership scheme for management or employees of the Issuer or the Guarantor (as applicable) or management or employees of affiliates of the Issuer or the Guarantor (as applicable); or
- (iii) any declaration or payment of dividends, interest or other payment by the Issuer or the Guarantor (as the case may be) in respect of any Issuer Pari Passu Securities, Guarantor Pari Passu Securities (if Subordinated Guarantee is specified in the relevant Final Terms), Issuer Junior Securities or Guarantor Junior Securities (if Subordinated Guarantee is specified in the relevant Final Terms) (in each case, other than any Mandatory Payment); or
- (iv) any Issuer Pari Passu Securities, Guarantor Pari Passu Securities (if Subordinated Guarantee is specified in the relevant Final Terms), Issuer Junior Securities or Guarantor Junior Securities (if Subordinated Guarantee is specified in the relevant Final Terms) being purchased by the Issuer, the Guarantor (as applicable) or any Subsidiary of the Issuer or the Guarantor (as applicable);

“Coupon Sheet” means, in respect of a Subordinated Note, a coupon sheet relating to the Subordinated Note;

“Day Count Fractions” means, in respect of the calculation of an amount of interest for any period of time (the **“Calculation Period”**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if **“Actual/Actual (ICMA)”** is so specified, means:
- (A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and
- (B) where the Calculation Period is longer than one Regular Period, the sum of:
- (a) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

- (b) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if “Actual/365 (Sterling)” is so specified, means the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iii) if “Actual/Actual (ISDA)” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iv) if “Actual/365 (Fixed)” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (v) if “Actual/360” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (vi) if “30/360” is so specified, means the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

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

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

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

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (vii) if “30E/360” or “Eurobond Basis” is so specified, means the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

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

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

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

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

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**Dealer Agreement**” means the dealer agreement dated 7 June 2011 between the Issuer, the Guarantor and the dealers named therein as amended and restated from time to time;

“**Definitive Note**” means a definitive Subordinated Note issued or, as the case may require, to be issued by the Issuer in exchange for a Temporary Global Note or a Permanent Global Note or part thereof, such definitive Note being substantially in the form set out in Schedule 12 of the Programme Manual relating to the Programme and having Coupons attached thereto on issue;

“**Directives**” means the directives adopted by the Parliament and Council of the European Union relating to the taking-up and pursuit of insurance business within the European Union (excluding the Solvency II Directive) and including, without limitation, Directive 73/239/EEC of the European Union (as amended) and Directive 98/78/EC of the European Union (as amended) on the supplementary supervision of insurance undertakings in an insurance group;

“**Directors**” means the directors of the Issuer or the Guarantor (as applicable);

“**European Economic Area Regulated Subsidiaries**” means the subsidiaries of the Issuer which are regulated within the European Economic Area by a Relevant Supervisory Authority;

“**EUR**” and “**euro**” mean the single currency unit of the Participating Member States;

“**Euro-zone**” means the region comprising member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

“**Existing Issuer Tier 2 Notes**” means (i) the 6.75% sterling fixed rate subordinated perpetual notes issued by the Issuer on 12 July 2002 and (ii) the 6.375% Euro fixed/floating rate subordinated notes due 12 July 2022 issued by the Issuer on 12 July 2002;

“**Extraordinary Resolution**” has the meaning given in the Trust Deed;

“**First Interest Payment Date**” means the date specified in the relevant Final Terms as such;

“**Fixed Coupon Amount**” has the meaning given in the relevant Final Terms;

“**FSA**” means the Financial Services Authority and its successor regulatory authority or authorities as applicable having primary supervisory authority with respect to prudential matters in relation to the Issuer and/or the Group and/or the Guarantor;

“**Group**” means the Issuer and its Subsidiaries;

“**Group Supervisor**” means the regulatory authority exercising group supervision over the Group in accordance with the Solvency II Directive;

“Guaranteed Amounts” means, in relation to any Subordinated Notes issued pursuant to Final Terms specifying that the Subordinated Guarantee is applicable, principal, interest and other sums expressed or deemed to be payable by the Issuer in respect of such Subordinated Notes and the Coupons and all other monies payable by the Issuer under or pursuant to the Trust Deed;

“Guarantor Interest Portion” means, in respect of a Guarantor Recovered Amount (as defined in Condition 6.3), an amount equal to such Guarantor Recovered Amount multiplied by a fraction, the numerator of which is the Total Guarantor Interest Amount and the denominator of which is the aggregate of the Total Guarantor Interest Amount and the principal amount of the Subordinated Notes outstanding as at the date of the winding-up or administration of the Guarantor (as applicable);

“Guarantor Junior Creditors” means creditors of the Guarantor whose claims rank, or are expressed to rank, junior to the claims of the Noteholders, including holders of Guarantor Junior Securities;

“Guarantor Junior Securities” has the meaning given to it in Condition 6.3;

“Guarantor Non-Interest Portion” means the Guarantor Recovered Amount less the Guarantor Interest Portion;

“Guarantor Pari Passu Creditors” means creditors of the Guarantor whose claims rank, or are expressed to rank, *pari passu* with the claims of the Noteholders, including holders of Guarantor Pari Passu Securities;

“Guarantor Pari Passu Securities” has the meaning given to it in Condition 6.3;

“Guarantor Recovered Amount Payment Date” means, in respect of any Guarantor Recovered Amount, the date on which such Guarantor Recovered Amount is paid by the liquidator or administrator (as applicable) of the Guarantor;

“Guarantor Regulatory Deficiency Interest Deferral Event” means:

- (i) any Regulatory Capital Requirements applicable to the Guarantor are breached; or
- (ii) the Solvency Capital Requirement applicable to the Guarantor, the Group or any insurance undertaking within the Group is breached and such breach is an event which under Solvency II and/or under the Relevant Rules would require the Guarantor (in its capacity as a guarantor or if it were treated as the issuer of the Subordinated Notes) to defer payment of interest in respect of the Subordinated Notes (on the basis that the Subordinated Notes are intended to qualify as Lower Tier 2 Capital (prior to Solvency II Implementation) and as Tier 2 capital (following Solvency II Implementation and without the operation of any grandfathering provisions)) and the FSA has not waived the requirement to defer payment of interest under the Subordinated Notes; or
- (iii) the FSA has notified the Guarantor in writing that it has determined in accordance with the Relevant Rules at such time that the Guarantor must defer payment of interest in respect of the Subordinated Notes;

“Guarantor Regulatory Deficiency Redemption Deferral Event” means:

- (i) any Regulatory Capital Requirements applicable to the Guarantor are breached; or
- (ii) the Solvency Capital Requirement applicable to the Guarantor, the Group or any insurance undertaking within the Group is breached and such breach is an event which under Solvency II and/or under the Relevant Rules would require the Guarantor (in its capacity as a Guarantor or if it were treated as the issuer of the Subordinated Notes) to defer or suspend repayment or redemption of the Subordinated Notes (on the basis that the Subordinated Notes are intended to qualify as Lower Tier 2 Capital (prior to Solvency II Implementation) and as Tier 2 capital (following Solvency

II Implementation and without the operation of any grandfathering provisions)) and the FSA has not waived the requirement to defer or suspend repayment or redemption of the Subordinated Notes; or

- (iii) the FSA has notified the Guarantor in writing that it has determined in accordance with the Relevant Rules at such time that the Guarantor must defer or suspend repayment or redemption of the Subordinated Notes;

“Guarantor Senior Creditors” means (i) creditors of the Guarantor who are unsubordinated creditors of the Guarantor, including all policyholders of the Guarantor (for the avoidance of doubt, the claims of the policyholders shall include all amounts to which they are entitled under applicable legislation or rules relating to the winding-up of insurance companies to reflect any right to receive or expectation of receiving benefits which policyholders may have) and (ii) other creditors of the Guarantor whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Guarantor (other than those whose claims constitute, or would, but for any applicable limitation on the amount of any such capital, constitute, Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions of the FSA), all obligations under the subordinated guarantee issued by the Guarantor in connection with the Existing Issuer Tier 2 Notes, Upper Tier 2 Capital and Lower Tier 2 Capital (issued prior to the Solvency II Implementation) or Tier 2 Capital (issued on or after the Solvency II Implementation) or whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders);

“Guarantor Solvency Condition” has the meaning given to it in Condition 6.4;

“insurance undertaking” has the meaning given to it in the Solvency II Directive;

“Interest Amount” means, in relation to a Subordinated Note and an Interest Period, the amount of interest payable in respect of that Subordinated Note for that Interest Period;

“Interest Commencement Date” means the Issue Date of the Subordinated Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“Interest Determination Date” has the meaning given in the relevant Final Terms;

“Interest Payment Date” means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“Interest Period” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“ISDA Definitions” means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Subordinated Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.), unless otherwise specified hereon;

“Issue Date” has the meaning given in the relevant Final Terms;

“Issuer Interest Portion” means in respect of an Issuer Recovered Amount (as defined in Condition 6.2), an amount equal to such Issuer Recovered Amount multiplied by a fraction, the numerator of which is the

Total Issuer Interest Amount and the denominator of which is the aggregate of the Total Issuer Interest Amount and the principal amount of the Subordinated Notes outstanding as at the date of the winding-up or administration of the Issuer (as applicable);

“Issuer Junior Creditors” means creditors of the Issuer whose claims rank, or are expressed to rank, junior to the claims of the Noteholders, including holders of Issuer Junior Securities;

“Issuer Junior Securities” has the meaning given to it in Condition 5.1;

“Issuer Non-Interest Portion” means the Issuer Recovered Amount less the Issuer Interest Portion;

“Issuer Pari Passu Creditors” means creditors of the Issuer whose claims rank, or are expressed to rank, *pari passu* with the claims of the Noteholders, including holders of Issuer Pari Passu Securities;

“Issuer Pari Passu Securities” has the meaning given to it in Condition 5.1;

“Issuer Recovered Amount Payment Date” means, in respect of any Issuer Recovered Amount, the date on which such Issuer Recovered Amount is paid by the liquidator or administrator (as applicable) of the Issuer;

“Issuer Senior Creditors” means (i) creditors of the Issuer who are unsubordinated creditors of the Issuer and (ii) other creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other 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, Upper Tier 2 Capital and Lower Tier 2 Capital (issued prior to the Solvency II Implementation) or Tier 2 Capital (issued on or after the Solvency II Implementation) or whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders);

“Issuer Solvency Condition” has the meaning given to it in Condition 5.2;

“Liabilities” means the non-consolidated gross liabilities of the Issuer or the Guarantor (as the case may be), as shown by the latest published audited balance sheet of the Issuer or the Guarantor (as applicable) but adjusted for contingencies and for subsequent events in such manner and to such extent as the relevant Directors, Auditors or, as the case may be, administrator or liquidator may determine to be appropriate;

“Lower Tier 2 Capital” has the meaning given to it by the FSA and shall, following the implementation of Solvency II or any other change in law or any Relevant Rules such that Lower Tier 2 Capital ceases to be a recognised tier of capital resources, be deemed to be a reference to any Tier 2 Capital;

“Mandatory Interest Deferral Date” means each Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event or a Guarantor Regulatory Deficiency Interest Deferral Event (as the case may be) has occurred and is continuing or would occur if payment of interest was made on such Interest Payment Date;

“Mandatory Payment” means, in respect of any Issuer Pari Passu Securities, Guarantor Pari Passu Securities, (if Subordinated Guarantee is specified in the relevant Final Terms), Issuer Junior Securities or Guarantor Junior Securities (if Subordinated Guarantee is specified in the relevant Final Terms), any distribution, payment or dividend that the board of directors of the Issuer or the Guarantor (as the case may be) is not permitted to cancel, defer, pass or eliminate at its discretion, or continue to cancel, defer, pass or eliminate;

“Margin” has the meaning given in the relevant Final Terms;

“Maturity Date” has the meaning given in the relevant Final Terms;

“Maximum Redemption Amount” has the meaning given in the relevant Final Terms;

“Minimum Redemption Amount” has the meaning given in the relevant Final Terms;

“New Zealand dollars” means the lawful currency of New Zealand;

“Optional Interest Payment Date” means any Interest Payment Date other than a Compulsory Interest Payment Date or a Mandatory Interest Deferral Date;

“Optional Redemption Amount” has the meaning given in the relevant Final Terms;

“Optional Redemption Date” means the date specified in the relevant Final Terms as such;

“Pari Passu Securities” means the Issuer Pari Passu Securities and the Guarantor Pari Passu Securities;

“Participating Member State” means a member state of the European Communities which has adopted the euro as its lawful currency in accordance with the treaty establishing the European Communities, as amended;

“Payment Business Day” means:

- (i) if the currency of payment is euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“Permanent Global Note” means the global note substantially in the form set out in Schedule 11 of the Programme Manual relating to the Programme, comprising the Subordinated Notes issued or, as the case may require, to be issued by the Issuer in exchange for the whole or part of the Temporary Global Note;

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“Principal Financial Centre” means, in relation to any currency, the principal financial centre for that currency, **provided, however, that:**

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“Programme Manual” means the programme manual (containing suggested forms and operating procedures for the Programme) dated 7 June 2011 and signed for the purposes of identification by the Issuer, the Guarantor, the Trustee, the Principal Paying Agent and the Registrar, as the same may be amended or supplemented from time to time by agreement;

- (i) in the case of the Programme, between the Issuer, the Guarantor, the Trustee, the Principal Paying Agent or, in the case of Registered Notes, the Registrar and the Arranger; or
- (ii) in the case of a particular Tranche of Notes, between the Issuer, the Guarantor (if applicable), the Trustee, the Principal Paying Agent or, in the case of a Tranche of Registered Notes, the Registrar and any mandated dealer(s);

“Qualifying Dated Tier 2 Securities” means securities issued directly or indirectly by the Issuer that:

- (i) have terms not materially less favourable to an investor than the terms of the Subordinated Notes (as reasonably determined by the Issuer, and provided that a certificate to such effect of two Directors of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities upon which certificate the Trustee shall be entitled to rely without enquiry and without liability to any person for so doing), provided that (A) they shall contain terms which comply with the then current requirements of the FSA in relation to Tier 2 Capital (or, at any time prior to Solvency II Implementation, Lower Tier 2 Capital); (B) they shall apply the same rate of interest from time to time as that applying to the Subordinated Notes; (C) they shall rank senior to, or *pari passu* with, the Subordinated Notes; (D) such securities shall preserve any existing rights under these Conditions to any accrued interest and any Arrears of Interest which has not been paid; and (E) if the Subordinated Notes are guaranteed, benefit from a guarantee from the Guarantor subordinated on the same basis and to the same extent as the Subordinated Guarantee; and
- (ii) are listed or admitted to trading on the London Stock Exchange’s European Economic Area Regulated Market, the Luxembourg Stock Exchange or such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer;

“Rate of Interest” has the meaning given in the Final Terms;

“Rating Agency” means Moody's Investors Service Limited or Standard & Poor's Credit Market Services Europe Limited, or any of their respective successors;

“Rating Agency Compliant Securities” means securities issued directly or indirectly by the Issuer that are:

- (i) Qualifying Dated Tier 2 Securities; and
- (ii) assigned substantially the same equity content or at the absolute discretion of the Issuer a lower equity content (provided such equity content is still higher than the equity content assigned to the Subordinated Notes after the occurrence of the Rating Methodology Event) that was assigned by the Rating Agency to the Subordinated Notes on or around the Issue Date and provided that a certificate to such effect of two Directors of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities upon which certificate the Trustee shall be entitled to rely without liability to any person for so doing;

“Rating Methodology Event” will be deemed to occur upon a change in methodology of the Rating Agency (or in the interpretation of such methodology) as a result of which the equity content assigned by the Rating Agency to the Subordinated Notes is, in the reasonable opinion of the Issuer, materially reduced when compared to the equity content assigned by the Rating Agency to the Subordinated Notes on or around the Issue Date;

“Recognised Stock Exchange” means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time;

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Optional Redemption Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with, the relevant Final Terms and these Conditions;

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon;

“Reference Price” has the meaning given in the relevant Final Terms;

“Reference Rate” has the meaning given in the relevant Final Terms;

“Regulatory Capital Requirements” means any applicable capital resources requirement (including any component which is required to be maintained in order to ensure adequate financial resources for the conduct of with-profits insurance business and taking into account applicable realistic reserving requirements) or applicable overall financial adequacy rule of the FSA as such requirement or rule is in force from time to time;

“Regulatory Deficiency Interest Deferral Event” means:

- (i) the Solvency Capital Requirement applicable to the Issuer, the Group or any insurance undertaking within the Group is breached and such breach is an event which under Solvency II and/or under the Relevant Rules would require the Issuer to defer payment of interest in respect of the Subordinated Notes (on the basis that the Subordinated Notes are intended to qualify as Lower Tier 2 Capital (prior to Solvency II Implementation) and as Tier 2 Capital (following Solvency II Implementation) without the operation of any grandfathering provisions)) and the FSA has not waived the requirement to defer payment of interest under the Subordinated Notes; or
- (ii) the FSA has notified the Issuer in writing that it has determined in accordance with the Relevant Rules at such time that the Issuer must defer payment of interest in respect of the Subordinated Notes;

“Regulatory Deficiency Redemption Deferral Event” means:

- (i) the Solvency Capital Requirement applicable to the Issuer, the Group or any insurance undertaking within the Group is breached and such breach is an event which under Solvency II and/or the Relevant Rules would require the Issuer to defer or suspend repayment or redemption of the Subordinated Notes (on the basis that the Subordinated Notes are intended to qualify as Lower Tier 2 Capital (prior to Solvency II Implementation) and as Tier 2 Capital (following Solvency II Implementation and without the operation of any grandfathering provisions)) and the FSA has not waived the requirement to defer or suspend repayment or redemption of the Subordinated Notes; or
- (ii) the FSA has notified the Issuer in writing that it has determined in accordance with the Relevant Rules at such time that the Issuer must defer or suspend repayment or redemption of the Subordinated Notes;

“Relevant Date” means, in relation to any payment, whichever is the later of (i) the date on which the payment in question first becomes due and (ii) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so or, in the case of Registered Notes, the Registrar received) notice to that effect has been given to the Noteholders;

“Relevant Financial Centre” has the meaning given in the relevant Final Terms;

“Relevant Issuer Event” has the meaning given in Condition 6.2;

“Relevant Rules” means the legislation, rules or regulations (whether having the force of law or otherwise) applying to the Issuer, the Guarantor or any insurance or reinsurance undertaking within the Group from time to time relating to the characteristics, features or criteria of own funds or capital resources and, for the avoidance of doubt and without limitation to the foregoing, includes any legislation, rules or regulations relating to any such matters which are supplementary to the obligations imposed on member states of the European Economic Area by any of the Directives or the Solvency II Directive;

“Relevant Screen Page” means such page, section or other part of a particular information service specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“Relevant Supervisory Authority” means any regulator having jurisdiction over the Issuer or any of the European Economic Area Regulated Subsidiaries;

“Relevant Time” has the meaning given in the relevant Final Terms;

“Reserved Matter” has the meaning given in the Trust Deed with respect to Subordinated Notes;

“Savings Directive” means European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;

“Solvency II” means the Solvency II Directive and any implementing measures adopted pursuant to the Solvency II Directive (for the avoidance of doubt, whether implemented by way of regulation or by further directives or otherwise);

“Solvency II Directive” means Directive 2009/138/EC of the European Union of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) and which must be transposed by member states of the European Economic Area pursuant to Article 309 of Directive 2009/138/EC;

“Solvency II Implementation” means the implementation by the FSA of Solvency II or any other change in law or any Relevant Rules, only if such implementation or other changes result in Upper Tier 2 Capital and Lower Tier 2 Capital ceasing to be recognised as separate tiers of capital (or, if later, the coming into effect of the same with respect to the Issuer, the Guarantor and/or the Group);

“Solvency Capital Requirement” means the solvency capital requirement or the group solvency capital requirement referred to in, or any other capital requirement howsoever described in, the Solvency II Directive or the Relevant Rules;

“Special Redemption Price” has the meaning given to it in the relevant Final Terms;

“Specified Currency” has the meaning given in the relevant Final Terms;

“Specified Denomination(s)” has the meaning given in the relevant Final Terms;

“Specified Office” has the meaning given in the Agency Agreement;

“Specified Period” has the meaning given in the relevant Final Terms;

“Sterling” and **“£”** means the lawful currency of the United Kingdom;

“Subsidiary” has the meaning given in Section 1159 of the Companies Act 2006 (as amended from time to time);

“Supervisory Consent” means, in relation to any proposed redemption, payment, repayment, purchase, amendment or modification under, pursuant to or in respect of the Subordinated Notes, the written consent

of the FSA (or written confirmation of its non-objection) to the relevant redemption, payment, repayment, purchase, amendment or modification;

“**Supplementary Supervisor**” means the competent authority exercising supplementary supervision over the solvency of the Group in accordance with the Directives;

“**Talon**” means a talon for further Coupons;

“**TARGET2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in euro;

“**Tax Event**” means an event of the type described in Condition 10.4(i) or (ii);

“**Tier 1 Capital**” has the meaning given to it by the FSA from time to time;

“**Tier 2 Capital**” has the meaning given to it by the FSA from time to time;

“**Temporary Global Note**” means the global note substantially in the form set out in Schedule 10 to the Programme Manual relating to the Programme, comprising the Subordinated Notes issued or, as the case may require, to be issued by the Issuer pursuant to the Dealer Agreement;

“**Total Guarantor Interest Amount**” means the aggregate of (i) interest accrued (but unpaid) on the Subordinated Notes from the last Interest Payment Date preceding the winding-up or administration of the Guarantor (as applicable) to the date of the winding-up or administration of the Guarantor (as applicable) and (ii) Arrears of Interest;

“**Total Issuer Interest Amount**” means the aggregate of (i) interest accrued (but unpaid) on the Subordinated Notes from the last Interest Payment Date preceding the winding-up or administration of the Issuer (as applicable) to the date of the winding-up or administration of the Issuer (as applicable) and (ii) Arrears of Interest;

“**UK Listing Authority**” means the FSA in its capacity as competent authority for the purposes of the Act or any successor authority or authorities appointed as the competent authority for the purposes of the Act or otherwise;

“**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland; and

“**Upper Tier 2 Capital**” has the meaning given to it from time to time by the FSA.

2.2 Interpretation

In these Conditions:

- (i) if Talons are specified in the relevant Final Terms as being attached to the Subordinated Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (ii) if Talons are not specified in the relevant Final Terms as being attached to the Subordinated Notes at the time of issue, references to Talons are not applicable;
- (iii) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Subordinated Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (iv) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 and any other amount in the nature of interest payable pursuant to these Conditions;

- (v) references to Subordinated Notes being “outstanding” shall be construed in accordance with the Trust Deed;
- (vi) if an expression is stated in Condition 2.1 above to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable”, then such expression is not applicable to the Subordinated Notes; and
- (vii) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement (as the case may be) as amended, restated and/or supplemented up to and including the Issue Date of the Subordinated Notes.

3 Form, Denomination and Title

Form of Subordinated Notes

- 3.1** Subordinated Notes are issued in bearer form (“**Bearer Notes**”) and/or in registered form (“**Registered Notes**”), as specified in the relevant Final Terms. Bearer Notes issued in definitive form are referred to as “**Definitive Notes**”. Definitive Notes are serially numbered. Registered Notes are not exchangeable for Bearer Notes.
- 3.2** Interest-bearing Definitive Notes have attached thereto at the time of their initial delivery coupons (“**Coupons**”), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. In addition, if required, the Subordinated Notes have attached thereto at the time of their initial delivery a talon (“**Talon**”) for further coupons and the expression “Coupons” shall, where the context so requires, include Talons.
- 3.3** Subordinated Notes shall be guaranteed by the Guarantor only if so specified in the relevant Final Terms.

Denomination of Bearer Notes

- 3.4** Bearer Notes are in the Specified Denomination(s) (each of which denomination is integrally divisible by each smaller denomination) specified in the relevant Final Terms save that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (2003/71/EC). The minimum specified denomination shall be at least EUR100,000 (or its equivalent in any other currency as at the date of issue of the Subordinated Notes), **provided that**, if such Subordinated Notes are issued: (i) at a discount, they may only be offered if their issue price expressed as a numerical value is no less than EUR100,000 (or its equivalent in any other currency); or (ii) with a denomination of precisely EUR100,000 (or its equivalent in any other currency), they may only be offered on a fully-paid basis and at par or at a premium.

So long as the Subordinated Notes are represented by a Global Note and the relevant clearing system(s) so permit, the Subordinated Notes shall be tradeable in minimum nominal amounts of EUR100,000 (or its equivalent in any other currency) and integral multiples of EUR1,000 (or its equivalent in any other currency) thereafter.

Denomination of Registered Notes

- 3.5** Registered Notes are in the minimum denomination(s) specified in the relevant Final Terms or integral multiples thereof in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (2003/71/EC). The minimum specified denomination shall be at least EUR100,000 (or its equivalent in any other currency as at the date of issue of the Subordinated Notes), **provided that**, if the

Subordinated Notes are issued: (i) at a discount, they may only be offered if their issue price expressed as a numerical value is no less than EUR100,000 (or its equivalent in any other currency); or (ii) with a denomination of precisely EUR100,000 (or its equivalent in any other currency), they may only be offered on a fully-paid basis and at par or at a premium.

Currency of Subordinated Notes

- 3.6 The Subordinated Notes are denominated in the Specified Currency specified in the relevant Final Terms. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Contracts (Right of Third Parties) Act 1999

- 3.7 No person shall have any rights to enforce any term or condition of the Subordinated Notes, the Trust Deed or the Agency Agreement under the Contracts (Rights of Third Parties) Act 1999.

4 Title and Transfer

- 4.1 Title to Bearer Notes and Coupons passes by delivery. References herein to the “Holders” of Bearer Notes or Coupons are to the bearers of such Bearer Notes or such or Coupons and the term “Noteholders” shall have a corresponding meaning.
- 4.2 Title to Registered Notes passes by registration in the register which the Issuer shall procure to be kept by or on behalf of the Registrar (the “**Register**”). References herein to the “Holders” of Registered Notes are to the persons in whose names such Registered Notes are so registered in the Register and the term “Noteholders” shall have a corresponding meaning. A certificate (each a “**Certificate**”) will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- 4.3 The Holder of any Bearer Note, Coupon or Registered Note will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing on the relevant Subordinated Note or Certificate, or any theft or loss thereof) and no person shall be liable for so treating such Holder and the Issuer, the Trustee, the Paying Agents, the Transfer Agents and the Registrar shall not be required to obtain proof thereof or as to the identity of the Holder.

Transfer of Registered Notes

- 4.4 A Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement and further subject to the provisions of Condition 4.7, be transferred in whole or in part only (**provided that** such part is, or is an integral multiple of, the minimum denomination specified in the relevant Final Terms) upon the surrender of the relevant Certificate, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any Transfer Agent. A new Certificate will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Certificate in respect of the balance not transferred will be issued to the transferor.
- 4.5 A Certificate representing each new Registered Note or Notes to be issued upon the transfer of a Registered Note will, within three Relevant Banking Days of the transfer date (as defined below), be available for collection by each relevant Holder at the specified office of the Registrar or the Transfer Agent (as the case may be) or, at the option of the Holder requesting such transfer, be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer received by the Registrar, the Principal Paying Agent or any Transfer Agent (as the case may be) after the Record Date in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar, the Principal

Paying Agent or such Transfer Agent (as the case may be) until the day following the due date for such payment. For the purposes of these Conditions:

- (i) “**Relevant Banking Day**” means a day, other than a Saturday or Sunday, on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar or the Transfer Agent is located; and
- (ii) the “**transfer date**” shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with Condition 4.4 above.

4.6 The issue of new Registered Notes on transfer will be effected without charge by or on behalf of the Issuer, the Principal Paying Agent, the Registrar or the Transfer Agent, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Principal Paying Agent, the Registrar or the Transfer Agent may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

4.7 No Holder may require the transfer of a Registered Note to be registered during the period of 15 days ending on the due date for the payment of any principal or interest in respect of the Subordinated Note.

5 Status and Subordination of the Subordinated Notes

5.1 Status

The Subordinated Notes and the Coupons relating to them constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up of the Issuer (except, in any such case, a solvent winding-up 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 Subordinated Notes shall thereby become payable) 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 Subordinated Notes and the Coupons relating to them and the Trust Deed, including any Arrears of Interest, shall be subordinated in the manner provided in the Trust Deed to the claims of all Issuer Senior Creditors (as defined in Condition 2), but shall rank at least *pari passu* with all other obligations of the Issuer which constitute, (in each case, as at their respective dates of issue), or would, but for any applicable limitation on the amount of such capital constitute (in each case, as at their respective dates of issue), Lower Tier 2 Capital (issued prior to Solvency II Implementation) or Tier 2 Capital (issued on or after Solvency II Implementation) (“**Issuer Pari Passu Securities**”) and shall rank in priority to the claims of holders of (A) all obligations of the Issuer which constitute (as at their respective dates of issue) or would, but for any applicable limitation on the amount of such capital, constitute (as at their respective dates of issue), Tier 1 Capital, including, without limitation, by virtue of the operation of any grandfathering provisions under the Relevant Rules, (B) the Existing Issuer Tier 2 Notes, (C) any payment obligations of the Issuer which may arise pursuant to any subrogation or indemnity in favour of the Guarantor in relation to the Subordinated Notes, and (D) all classes of share capital of the Issuer (together, the “**Issuer Junior Securities**”).

The Subordinated Notes are direct liabilities of the Issuer and consequently do not constitute a direct liability attributable to the long-term funds of the Guarantor (but without prejudice to the Guarantor’s obligations under Condition 6.

5.2 Issuer Solvency Condition

Without prejudice to Condition 5.1 above, all payments under or arising from the Subordinated Notes, the Coupons relating to them and the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable under or arising from the Subordinated Notes, the Coupons relating to them and the Trust Deed unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the “**Issuer Solvency Condition**”). For the purposes of this Condition 5.2, the Issuer will be solvent if (i) it is able to pay its debts owed to Issuer Senior Creditors and Issuer Pari Passu Creditors as they fall due and (ii) its Assets exceed its Liabilities (other than Liabilities to persons in their capacity as Issuer Junior Creditors). A certificate as to solvency of the Issuer signed by two Directors or, if there is a winding-up or administration of the Issuer, the liquidator or, as the case may be, the administrator of the Issuer and in either case addressed to the Trustee shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Subordinated Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person for doing so. In a winding-up of the Issuer or in an administration of the Issuer if the administrator has given notice of his intention to declare and distribute a dividend, the amount payable in respect of the Subordinated Notes and the Coupons relating to them shall be an amount equal to the principal amount of such Subordinated Notes, together with Arrears of Interest, if any, and any interest (other than Arrears of Interest) which has accrued up to, but excluding, the date of repayment and will be subordinated in the manner described in Condition 5.1 above.

Without prejudice to any other provision in these Conditions, amounts representing any payments of principal, premium or interest or any other amount, including any damages awarded for breach of any obligations in respect of which the conditions referred to in this Condition 5.2 are not satisfied on the date upon which the same would otherwise be due and payable (“**Issuer Solvency Claims**”), will be payable by the Issuer at the time referred to in Condition 9.3. An Issuer Solvency Claim shall not bear interest.

Any interest in respect of the Subordinated Notes not paid on an Interest Payment Date, together with any interest in respect of the Subordinated Notes not paid on an earlier Interest Payment Date (in each case by virtue of this Condition 5.2 or Conditions 9.1 and 9.2 which apply to the Issuer or Condition 6.4 or Conditions 9.4(i) and 9.4(ii) which apply to the Guarantor) shall, so long as the same remains unpaid, constitute “**Arrears of Interest**”. The Issuer shall satisfy any Arrears of Interest which arise as a result of this Condition 5.2 at the time referred to in Condition 9.3.

5.3 Set-off

Subject to applicable law, no holder of the Subordinated Notes and the Coupons relating to them may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer or the Guarantor arising under or in connection with the Subordinated Notes and the Coupons relating to them and each holder of the Subordinated Notes and the Coupons relating to them shall, by virtue of being the holder of any Subordinated Note or Coupon, 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 Subordinated Notes or Coupons relating to them by the Issuer or the Guarantor 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 the Guarantor (as applicable) or, in the event of its winding-up or administration, the liquidator or administrator of the Issuer or the Guarantor, as appropriate, for payment to the Issuer Senior Creditors or Guarantor Senior Creditors (as applicable) in respect of amounts owing to them by the Issuer or the Guarantor, and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer or the Guarantor, or the liquidator or administrator of the Issuer or the Guarantor, as appropriate, for payment to the Issuer Senior Creditors or Guarantor Senior Creditors (as applicable) in respect of amounts owing to

them by the Issuer or the Guarantor and, accordingly, any such discharge shall be deemed not to have taken place.

As used in this Condition 5, the expression “obligations” includes any direct or indirect obligations of the Issuer or the Guarantor (as applicable) and whether by way of guarantee, indemnity, other contractual support arrangement or otherwise and regardless of name or designation.

On a winding-up of the Issuer or the Guarantor, there may be no surplus assets available to meet the claims of the Noteholders after the claims of the parties ranking senior to the Noteholders (as provided in Condition 5 (Status and Subordination of the Subordinated Notes) or Condition 6 (Guarantee; Status and Subordination of the Subordinated Guarantee) have been satisfied.

6 Guarantee; Status and Subordination of the Subordinated Guarantee

6.1 Status

If so specified in the relevant Final Terms, the Guarantor has (subject as provided in Conditions 6.2, 6.3, 6.4, 9.4(i), 9.4(ii) and 10.7(i)) in the Trust Deed irrevocably guaranteed the due and punctual payment of all Guaranteed Amounts in relation to the Subordinated Notes issued pursuant to such Final Terms. The obligations of the Guarantor under such guarantee (the “**Subordinated Guarantee**”) constitute direct, unsecured and subordinated obligations of the Guarantor and, under such Subordinated Guarantee, the Guarantor shall (subject as provided in the aforementioned Conditions) pay any Guaranteed Amount which is (or is deemed under Condition 6.2 below to be) due and payable by the Issuer which the Issuer fails for any reason whatsoever to pay punctually when due.

6.2 Obligations of the Guarantor

(i) Due and payable

For the purpose of determining whether any Guaranteed Amount is from time to time due and payable by the Issuer for the purposes of the obligations of the Guarantor under the Subordinated Guarantee (as referred to in Condition 6.1 above), the payment of any principal, interest and Arrears of Interest shall be deemed to be due and payable by the Issuer notwithstanding whether the Issuer Solvency Condition under Condition 5.2 is satisfied or any of Conditions 9.1, 9.2, 10.1(ii) or 10.3 apply, provided that, in the event that any such amount is paid by the Guarantor under the Subordinated Guarantee, such payment by the Guarantor shall be treated as satisfying the right to payment of the Trustee, any Noteholder or any Couponholder of such amounts under the Trust Deed, the Subordinated Notes and the Coupons.

(ii) Winding-up of the Issuer

Where an order is made, or an effective resolution is passed, for the winding-up of the Issuer, or an administrator of the Issuer is appointed and such administrator has given notice that he intends to declare and distribute a dividend, in each case in the circumstances set out in Condition 5.1 (each a “**Relevant Issuer Event**”), the Guarantor has undertaken under the Subordinated Guarantee to pay the Guaranteed Amounts on the basis that such amounts are and will be due for payment under the terms of the Subordinated Notes, the Coupons and the Trust Deed as if the Relevant Issuer Event had not occurred. In addition, the Guarantor shall have the rights or benefits of all the provisions applicable to the Issuer in the Conditions and the Trust Deed, including, without limitation, the Issuer’s ability to redeem, vary, substitute or purchase the Subordinated Notes in the circumstances set out in Conditions 10.2, 10.4, 10.5 and 10.6 and, accordingly, all references in the Conditions and the Trust Deed to the Issuer shall to the extent necessary to confer such rights or benefits be construed as references to the Guarantor.

In the event that any payment is made to the Trustee, the Noteholders and/or Couponholders in respect of the claims arising under the terms of the Subordinated Notes, the Coupons and the Trust Deed by the liquidator or the administrator (as applicable) of the Issuer after the occurrence of any Relevant Issuer Event (any such amount paid, the “**Issuer Recovered Amount**”), any Issuer Recovered Amount shall reduce the amounts payable by the Guarantor under the Subordinated Guarantee in the following manner:

- (A) the Issuer Interest Portion of an Issuer Recovered Amount shall reduce any obligation of the Guarantor to make payment in respect of accrued interest and Arrears of Interest under the Subordinated Guarantee by an amount equal to the Issuer Interest Portion with effect from the Issuer Recovered Amount Payment Date; and
- (B) the Issuer Non-Interest Portion of an Issuer Recovered Amount shall reduce any obligation of the Guarantor to make payment in respect of principal of the Subordinated Notes under the Subordinated Guarantee by an amount equal to the Issuer Non-Interest Portion with effect from the Issuer Recovered Amount Payment Date and, accordingly, interest shall only accrue on and be payable in respect of such reduced principal amount of the Subordinated Notes from (and including) the Issuer Recovered Amount Payment Date.

(iii) **Deferral of payments under the Subordinated Guarantee**

The obligations of the Guarantor under the Subordinated Guarantee to make any payment of Guaranteed Amounts in respect of interest on the Subordinated Notes may be optionally deferred in accordance with Condition 9.4(i) or will be mandatorily deferred in accordance with Condition 9.4(ii) and shall only become payable by the Guarantor in accordance with Condition 9.4(iii). The obligations of the Guarantor under the Subordinated Guarantee to make any payment of Guaranteed Amounts in relation to the redemption of the Subordinated Notes will be mandatorily deferred in accordance with Condition 10.7(i) and shall only become payable by the Guarantor in accordance with Condition 10.7(v).

6.3 Subordination of the Subordinated Guarantee

In the event of the winding-up of the Guarantor (except, in any such case, a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Guarantor of a successor in business of the Guarantor, 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 Subordinated Notes shall thereby become payable) or the appointment of an administrator of the Guarantor where the administrator has given notice that it intends to declare and distribute a dividend, the payment obligations of the Guarantor under or arising from the Subordinated Notes and the Coupons relating to them and the Trust Deed, including any Arrears of Interest, shall be subordinated in the manner provided in the Trust Deed to the claims of all Guarantor Senior Creditors (as defined in Condition 2), but shall rank at least *pari passu* with all other obligations of the Guarantor which constitute, (in each case, as at their respective dates of issue), or would but for any applicable limitation on the amount of such capital constitute (in each case, as at their respective dates of issue), Lower Tier 2 Capital (but excluding the guarantees in respect of the Existing Issuer Tier 2 Notes) (issued prior to Solvency II Implementation) or Tier 2 Capital (issued on or after Solvency II Implementation), including any obligations under any subordinated guarantee issued by the Guarantor in connection with any financing structure giving rise to any such Lower Tier 2 Capital or Tier 2 Capital (“**Guarantor Pari Passu Securities**”) and shall rank in priority to the claims of holders of: (A) all obligations of the Guarantor which constitute, or would, but for any applicable limitation on the amount of such capital, constitute (as at their respective dates of issue), Tier 1 Capital, including, without limitation, by virtue of the operation of any grandfathering provisions under the Relevant Rules and including any obligations under any subordinated guarantee issued by the Guarantor in connection with any financing structure giving rise to any such Tier 1 Capital; (B) all obligations under the subordinated guarantees

issued by the Guarantor in respect of the Existing Issuer Tier 2 Notes and (C) all classes of share capital of the Guarantor (together, the **“Guarantor Junior Securities”**).

In the event that any payment is made to the Trustee, the Noteholders and/or the Couponholders in respect of the claims under the terms of the Subordinated Notes, the Coupons and the Trust Deed by the liquidator or administrator (as applicable) of the Guarantor at a time when a Relevant Issuer Event has not occurred (such amount paid, the **“Guarantor Recovered Amount”**), any Guarantor Recovered Amount shall reduce the amounts payable by the Issuer under the terms of the Subordinated Notes, the Coupons and the Trust Deed in the following manner:

- (i) the Guarantor Interest Portion of a Guarantor Recovered Amount shall reduce any obligation of the Issuer to make payment in respect of accrued interest and Arrears of Interest under the Subordinated Notes, the Coupons and the Trust Deed by an amount equal to the Guarantor Interest Portion with effect from the Guaranteed Recovered Amount Payment Date; and
- (ii) the Guarantor Non-Interest Portion of a Guarantor Recovered Amount shall reduce any obligation of the Issuer to make payment in respect of principal of the Subordinated Notes under the Subordinated Notes, the Coupons and the Trust Deed by an amount equal to the Guarantor Non-Interest Portion with effect from the Guarantor Recovered Amount Payment Date and, accordingly, interest shall only accrue on and be payable in respect of such reduced principal amount of the Subordinated Notes from (and including) the Guarantor Recovered Amount Payment Date.

6.4 Guarantor Solvency Condition

Without prejudice to Condition 6.1 above, all payments under or arising from the Subordinated Guarantee and the Trust Deed shall be conditional upon the Guarantor being solvent at the time for payment by the Guarantor, and no amount shall be payable under or arising from the Subordinated Guarantee and the Trust Deed unless and until such time as the Guarantor could make such payment and still be solvent immediately thereafter (the **“Guarantor Solvency Condition”**). For the purposes of this Condition 6.4, the Guarantor will be solvent if (i) it is able to pay its debts owed to Guarantor Senior Creditors and Guarantor Pari Passu Creditors as they fall due and (ii) its Assets exceed its Liabilities (other than Liabilities to persons in their capacity as Guarantor Junior Creditors). A certificate as to solvency of the Guarantor signed by two Directors or, if there is a winding-up or administration of the Guarantor, the liquidator or, as the case may be, the administrator of the Guarantor and in either case addressed to the Trustee shall, in the absence of manifest error, be treated and accepted by the Guarantor, the Trustee, the holders of the Subordinated Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person for so doing. In a winding-up of the Guarantor or in an administration of the Guarantor, if the administrator has given notice of his intention to declare and distribute a dividend, the amount payable under the Subordinated Guarantee in respect of the Subordinated Notes and the Coupons relating to them shall be an amount equal to the principal amount of such Subordinated Notes, together with Arrears of Interest, if any, and any interest (other than Arrears of Interest) which has accrued up to, but excluding, the date of repayment and will be subordinated in the manner described in Condition 6.1 above.

Without prejudice to any other provision in these Conditions, amounts representing any payments of principal, premium or interest or any other amount, including any damages awarded for breach of any obligations in respect of which the conditions referred to in this Condition 6.4 are not satisfied on the date upon which the same would otherwise be due and payable (**“Guarantor Solvency Claims”**), will be payable by the Guarantor at the time referred to in Condition 9.4(iii). A Guarantor Solvency Claim shall not bear interest.

7 Fixed Rate Note Provisions

7.1 Application

This Condition 7 is applicable to the Subordinated Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

7.2 Accrual of interest

The Subordinated Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11. Each Subordinated Note will cease to bear interest from (and including) the due date for final redemption pursuant to Condition 10 unless, upon due presentation, payment of principal in respect of the Subordinated Notes is improperly withheld or refused, in which event interest shall continue to accrue, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date (as defined in Condition 2).

7.3 Fixed Coupon Amount

The amount of interest payable in respect of each Subordinated Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Subordinated Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

7.4 Calculation of interest amount

The amount of interest payable in respect of each Subordinated Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Subordinated Note divided by the Calculation Amount. For this purpose, a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

8 Floating Rate Note Interest Provisions

8.1 Application

This Condition 8 is applicable to the Subordinated Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.

8.2 Accrual of interest

The Subordinated Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11. Each Subordinated Note will cease to bear interest from (and including) the due date for final redemption pursuant to Condition 10 unless, upon due presentation, payment of principal in respect of the Subordinated Notes is improperly withheld or refused, in which event interest shall continue to accrue, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date (as defined in Condition 2).

8.3 Screen Rate Determination

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Subordinated Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of paragraph (i) above, such rate does not appear on that page or, in the case of paragraph (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre inter-bank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Subordinated Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Subordinated Notes in respect of a preceding Interest Period.

8.4 ISDA Determination

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Subordinated Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” means, in relation to any Interest Period, a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent (as defined in the ISDA Definitions) under an interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

8.5 Maximum or Minimum Rate of Interest

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

8.6 Calculation of Interest Amount

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Subordinated Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Subordinated Note divided by the Calculation Amount. For this purpose, a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

8.7 Calculation of other amounts

If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

8.8 Publication

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Subordinated Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Subordinated Note having the minimum Specified Denomination.

8.9 Notifications etc.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Trustee, the Paying Agents, (where relevant) the Registrar, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

9 Deferral of Payments

9.1 Issuer Optional Interest Deferral

If so specified in the relevant Final Terms, the Issuer may elect, in respect of any Optional Interest Payment Date by notice to the Noteholders and the Trustee pursuant to Condition 9.5 below, to defer

payment of all (but not some only) of the interest accrued to that date and the Issuer shall not have any obligation to make such payment on that date.

Notwithstanding any other provision in these Conditions or the Trust Deed, the deferral of any payment of interest on an Optional Interest Payment Date in accordance with this Condition 9.1 or in accordance with Condition 5.2 will not constitute a default by the Issuer and will not give the Noteholders or the Trustee any right to accelerate the Subordinated Notes.

9.2 Issuer Mandatory Interest Deferral

Unless such deferral is not required by the Relevant Rules or if the FSA waives such deferral, payment of interest on the Subordinated Notes will be mandatorily deferred on each Mandatory Interest Deferral Date. The Issuer shall notify the Noteholders and the Trustee of any Mandatory Interest Deferral Date in accordance with Condition 9.5 below.

A certificate signed by two Directors of the Issuer addressed to the Trustee confirming that (i) a Regulatory Deficiency Interest Deferral Event has occurred and is continuing, or would occur if payment of interest on the Subordinated Notes were to be made or (ii) a Regulatory Deficiency Interest Deferral Event has ceased to occur and/or payment of interest on the Subordinated Notes would not result in a Regulatory Deficiency Interest Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Guarantor, the Trustee, the holders of the Subordinated Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person for so doing.

Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any payment of interest on a Mandatory Interest Deferral Date in accordance with this Condition 9.2 or in accordance with Condition 5.2 will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate repayment of the Subordinated Notes.

9.3 Arrears of Interest

Any Arrears of Interest may (subject to Condition 5.2 and to any notifications to, or consent from, (in either case if and to the extent applicable) the FSA) be paid in whole or in part at any time upon the expiry of not less than 14 days' notice to such effect given by the Issuer to the Trustee and the Noteholders in accordance with Condition 20, and in any event will become due and payable (subject, in the case of paragraphs (i) (iii) and (iv) below, to Condition 5.2 and any notifications to, or consent from, (in either case if and to the extent applicable) the FSA) in whole (and not in part) upon the earliest of the following dates:

- (i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date on which payment of interest in respect of the Subordinated Notes is made; or
- (ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up 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 (A) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (B) do not provide that the Subordinated Notes shall thereby become payable) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend; or
- (iii) the date fixed for any redemption or purchase of Subordinated Notes by or on behalf of the Issuer pursuant to Condition 10 or Condition 14.1; or
- (iv) the next Interest Payment Date which is not a Mandatory Interest Deferral Date on which (x) a declaration of payment of dividends, interest or other payment is made in respect of any Issuer

Junior Securities or Guarantor Junior Securities (if Subordinated Guarantee is specified in the relevant Final Terms), or (y) any Issuer Pari Passu Securities, Issuer Junior Securities, Guarantor Pari Passu Securities (if Subordinated Guarantee is specified in the relevant Final Terms) or Guarantor Junior Securities (if Subordinated Guarantee is specified in the relevant Final Terms) are purchased by the Issuer, the Guarantor (as the case may be) or any Subsidiary of the Issuer or the Guarantor (as the case may be).

9.4 Guarantor Deferral of Interest

(i) Guarantor Optional Interest Deferral

If so specified in the relevant Final Terms, the Guarantor may elect, in respect of any Optional Interest Payment Date by notice to the Noteholders and the Trustee pursuant to Condition 9.5 below, to defer payment of all (but not some only) of the Guaranteed Amounts in respect of the interest accrued to that date and the Guarantor shall not have any obligation to make payment of such Guaranteed Amounts on that date.

Notwithstanding any other provision in these Conditions or the Trust Deed, the deferral of any payment of interest on an Optional Interest Payment Date, in accordance with this Condition 9.4 or in accordance with Condition 6.4, will not constitute a default by the Guarantor or the Issuer and will not give the Noteholders or the Trustee any right to accelerate the Subordinated Notes.

(ii) Guarantor Mandatory Interest Deferral

Unless such deferral is not required by the Relevant Rules or if the FSA waives such deferral, payments of Guaranteed Amounts in respect of interest on the Subordinated Notes will be mandatorily deferred on each Mandatory Interest Deferral Date. The Guarantor shall notify the Noteholders and the Trustee of any Mandatory Interest Deferral Date in accordance with Condition 9.5 below.

A certificate signed by two Directors of the Guarantor addressed to the Trustee confirming that (A) a Guarantor Regulatory Deficiency Interest Deferral Event has occurred and is continuing, or would occur if payment under the Subordinated Guarantee of interest in relation to the Subordinated Notes were to be made or (B) a Guarantor Regulatory Deficiency Interest Deferral Event has ceased to occur and payment under the Subordinated Guarantee of interest in relation to the Subordinated Notes would not result in a Guarantor Regulatory Deficiency Interest Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Guarantor, the Trustee, the holders of the Subordinated Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person for so doing.

Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any payment under the Subordinated Guarantee in respect of interest on a Mandatory Interest Deferral Date in accordance with this Condition 9.4 or in accordance with Condition 6.4 will not constitute a default by the Guarantor or the Issuer and will not give Noteholders or the Trustee any right to accelerate repayment of the Subordinated Notes.

(iii) Guarantor Arrears of Interest

Any Arrears of Interest may (subject to Condition 6.4 and to any notifications to, or consent from, (in either case if and to the extent applicable) the FSA) be paid in whole or in part at any time upon the expiry of not less than 14 days' notice to such effect given by the Guarantor to the Trustee and the Noteholders in accordance with Condition 20, and in any event will become due and payable (subject, in the case of paragraphs (A) and (C) below, to Condition 6.4 and any

notifications to, or consent from, (in either case if and to the extent applicable) the FSA) in whole (and not in part) upon the earliest of the following dates:

- (A) the next Interest Payment Date which is not a Mandatory Interest Deferral Date on which payment of interest in respect of the Subordinated Notes is made; or
- (B) the date on which an order is made or a resolution is passed for the winding-up of the Guarantor (other than a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Guarantor of a successor in business of the Guarantor, the terms of which reconstruction, amalgamation or substitution (a) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (b) do not provide that the Subordinated Notes shall thereby become payable) or the date on which any administrator of the Guarantor (as applicable) gives notice that it intends to declare and distribute a dividend; or
- (C) the date fixed for any redemption or purchase of Subordinated Notes by or on behalf of the Issuer pursuant to Condition 10, provided that on such date no Guarantor Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if such payment of interest was made (taking into account for this purpose the payment of Arrears of Interest on such date); or
- (D) the next Interest Payment Date which is not a Mandatory Interest Deferral Date on which (x) a declaration of payment of dividends, interest or other payment is made in respect of any Issuer Junior Securities or Guarantor Junior Securities (if Subordinated Guarantee is specified in the relevant Final Terms) or (y) any Issuer Pari Passu Securities, Issuer Junior Securities, Guarantor Pari Passu Securities (if Subordinated Guarantee is specified in the relevant Final Terms) or Guarantor Junior Securities (if Subordinated Guarantee is specified in the relevant Final Terms) are purchased by the Issuer, the Guarantor (as the case may be) or any Subsidiary of the Issuer or the Guarantor (as the case may be).

9.5 Notice of Deferral

The Issuer or the Guarantor (as the case may be) shall notify the Trustee and the Noteholders in writing in accordance with Condition 20 not less than five Business Days prior to an Interest Payment Date:

- (i) if that Interest Payment Date is an Optional Interest Payment Date in respect of which the Issuer or the Guarantor (as the case may be) elects to defer interest as provided in Conditions 9.1 and 9.4(i) above; and
- (ii) if that Interest Payment Date is a Mandatory Interest Deferral Date and specifying that interest will not be paid because a Regulatory Deficiency Interest Deferral Event or a Guarantor Regulatory Deficiency Interest Deferral Event (as the case may be) has occurred and is continuing or would occur if payment of interest was made on such Interest Payment Date, provided that if a Regulatory Deficiency Interest Deferral Event or a Guarantor Regulatory Deficiency Interest Deferral Event occurs less than five Business Days prior to an Interest Payment Date, the Issuer or the Guarantor (as applicable) shall give notice of the interest deferral in accordance with Condition 20 as soon as reasonably practicable following the occurrence of such event.

10 Redemption, Substitution, Variation, Purchase and Options

10.1 Redemption

- (i) Subject to Condition 5.2, Condition 10.1(ii) below and compliance by the Issuer with regulatory rules on notification to, or consent from (in either case, if and to the extent applicable), the FSA, unless previously redeemed or purchased and cancelled as provided below or its maturity is

extended pursuant to any Issuer's option, each Note shall be finally redeemed on the Maturity Date specified in the relevant Final Terms at its Final Redemption Amount (which, unless otherwise specified in the relevant Final Terms, is its principal amount), together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest. If so specified in the relevant Final Terms, the Issuer may give notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 20, the Noteholders (which notice shall be irrevocable) not less than 30 days prior to the Maturity Date of the extended Maturity Date and thereafter all references herein to the Maturity Date shall be deemed to be to such extended Maturity Date.

- (ii) No Subordinated Notes shall be redeemed on the Maturity Date pursuant to Condition 10.1(i) above or prior to the Maturity Date pursuant to Condition 10.2, Condition 10.4, Condition 10.5 or Condition 10.6 if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption is made on, if Condition 10.1(i) above applies, the Maturity Date or, if Condition 10.2, Condition 10.4, Condition 10.5 or Condition 10.6 below applies, any date specified for redemption in accordance with such Conditions.
- (iii) If redemption of the Subordinated Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 10.2, Condition 10.4, Condition 10.5 or Condition 10.6 below as a result of Condition 10.1(ii) above, subject to Condition 5.2 (in the case of paragraphs (A) and (B) below only) and to any notifications to, or consent from, (in each case if and to the extent applicable) the FSA, the Subordinated Notes shall be redeemed at their principal amount or, as applicable, the relevant price specified in Conditions 10.2, 10.4, 10.5 or 10.6 below together with accrued interest and any Arrears of Interest, upon the earliest of:
 - (A) the date falling 10 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased, provided that redemption of the Subordinated Notes on such date would not result in a Regulatory Deficiency Redemption Deferral Event occurring and no Regulatory Deficiency Redemption Deferral Event has occurred during those 10 days which is continuing (in which case the provisions of Conditions 10.1(ii) and this Condition 10.1(iii) will apply *mutatis mutandis* to determine the due date for payment of such amounts); or
 - (B) the date falling 10 Business Days after the FSA has agreed to the repayment or redemption of the Subordinated Notes; or
 - (C) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up 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 (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (y) do not provide that the Subordinated Notes shall thereby become payable) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend.
- (iv) If Condition 10.1(ii) above does not apply, but redemption of the Subordinated Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 10.2, Condition 10.4, Condition 10.5 or Condition 10.6 below as a result of the Issuer Solvency Condition not being satisfied at such time and immediately after such payment, subject to any notifications to, or consent from, (in each case if and to the extent applicable) the FSA, the Subordinated Notes shall be redeemed at their principal amount or, as applicable, the relevant price specified in Condition 10.2, 10.4, 10.5 or 10.6 below together with accrued interest and any Arrears of Interest on the 10th Business Day immediately following the

day that (A) the Issuer is solvent for the purposes of Condition 5.2 and (B) that redemption of the Subordinated Notes would not result in the Issuer ceasing to be solvent for the purposes of Condition 5.2, provided that if on such Business Day specified for redemption a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if the Subordinated Notes were to be redeemed, then the Subordinated Notes shall not be redeemed on such date and Condition 5.2 and Condition 10.1(iii) above shall apply *mutatis mutandis* to determine the date of the redemption of the Subordinated Notes.

- (v) A certificate signed by two Directors of the Issuer addressed to the Trustee confirming that (A) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if redemption of the Subordinated Notes were to be made or (B) a Regulatory Deficiency Redemption Deferral Event has ceased to occur and/or redemption of the Subordinated Notes would not result in a Regulatory Deficiency Redemption Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Subordinated Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person for so doing.
- (vi) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Subordinated Notes in accordance with Condition 5.2 or this Condition 10 will not constitute a default by the Issuer, and will not give Noteholders or the Trustee any right to accelerate the Subordinated Notes.

10.2 Redemption at the option of the Issuer

Unless the Issuer shall have given notice to redeem the Subordinated Notes under Condition 10.4, Condition 10.5 or Condition 10.6 below on or prior to the expiration of the notice referred to below, and if Call Option is specified in the relevant Final Terms, the Issuer may, at its option, subject to Condition 5.2, Condition 10.1(ii) above and Condition 10.3 below, and having given not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the relevant Final Terms), redeem all or, if so provided, some of the Subordinated Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption in accordance with these Conditions and any Arrears of Interest. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the relevant Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the relevant Final Terms.

The Subordinated Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition 10.2.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Noteholders shall also contain the certificate numbers of the Subordinated Notes to be redeemed or in respect of which such option has been exercised, which shall have been drawn by lots in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

10.3 Conditions to Redemption, Substitution, Variation or Purchase

Prior to any notice of redemption before the Maturity Date or any substitution, variation or purchase of the Subordinated Notes, the Issuer will be required to have complied with regulatory rules on notification to, or consent from (in each case if and to the extent applicable), the FSA and to be in continued compliance with Regulatory Capital Requirements applicable to it. A certificate signed by any two Directors of the Issuer confirming such compliance and delivered to the Trustee shall be conclusive

evidence of such compliance and the Trustee shall be entitled to rely on such certificate without liability to any person for so doing.

In the case of any redemption pursuant to Conditions 10.4, 10.5 or 10.6 before the fifth anniversary of the relevant Issue Date, such certificate should also state that it would have been reasonable for the Issuer to conclude, judged at the time of issue of the Notes, that the circumstance entitling the Issuer to exercise the right of redemption was unlikely to occur.

10.4 Redemption, Substitution or Variation Due to Taxation

If on or after the Tax Event Commencement Date specified in the Final Terms, immediately prior to the giving of the notice referred to below:

- (i) as a result of a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the United Kingdom is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority 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 Subordinated Notes and which are capable of constituting Lower Tier 2 Capital (prior to Implementation of Solvency II) or Tier 2 Capital (following Implementation of Solvency II)) or which differs from any specific written confirmation given by a tax authority in respect of the Subordinated Notes, which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by United Kingdom Act of Parliament or by Statutory Instrument, on or after the Issue Date of the Subordinated Notes (each a “**Tax Law Change**”), in making any payments on the Subordinated Notes, the Issuer or the Guarantor has paid or will or would on the next payment date (in the case of the Guarantor, if the Guarantor were required to make such payment) be required to pay Additional Amounts (as defined in Condition 12) on the Subordinated Notes and the Issuer or the Guarantor (as the case may be) cannot avoid the foregoing in connection with the Subordinated Notes by taking measures reasonably available to it; or
- (ii) as a result of a Tax Law Change in respect of the Issuer’s or the Guarantor’s obligation to make any payment of Interest on the next following Interest Payment Date (in the case of the Guarantor, if the Guarantor were required to make such payment), (x) the Issuer or the Guarantor (as the case may be) would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced; (y) the Issuer or the Guarantor (as the case may be) would not to any material extent be entitled to have such deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of the Tax Law Change or any similar system or systems having like effect as may from time to time exist); or (z) the Issuer or the Guarantor (as the case may be) would otherwise suffer adverse tax consequences, and in each such case the Issuer or the Guarantor (as the case may be) cannot avoid the foregoing in connection with the Subordinated Notes by taking measures reasonably available to it,

then:

- (A) the Issuer may, subject to Condition 5.2 and Condition 10.1(ii) and Condition 10.3 above and having given not less than 30 nor more than 60 days’ notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 20, the Noteholders (which notice shall be irrevocable), redeem in accordance with these Conditions (unless otherwise

specified in the relevant Final Terms) at any time (if and for so long as this Note is not a Floating Rate Note) or on any Interest Payment Date (if and for so long as this Note is a Floating Rate Note) all, but not some only, of the Subordinated Notes at their principal amount, together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest, provided that if the Relevant Rules so require at the relevant time any such redemption shall only occur if it is funded out of the proceeds of an issue of securities of the same or better quality capital in accordance with the Relevant Rules; or

- (B) the Issuer may, subject to Condition 10.3 above (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 20 (*Notices*), the Noteholders (which notice shall be irrevocable), substitute at any time all (but not some only) of the Subordinated Notes for, or vary the terms of the Subordinated Notes so that they become, Qualifying Dated Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (B) and subject to the receipt by it of the certificates of the Directors referred to below and in the definition of Qualifying Dated Tier 2 Securities) agree to such substitution or variation. The Trustee shall at the Issuer's expense use its reasonable endeavours to assist the Issuer in giving effect to such substitution or variation of the Subordinated Notes by executing such documents as the Issuer may consider necessary for this purpose provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the terms of the securities into which the Subordinated Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it with regard to its obligations and/or duties as Trustee but disregarding for these purposes the interests of the holders of the Subordinated Notes. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Subordinated Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 10.4, the Issuer shall deliver to the Trustee (a) a certificate signed by two Directors of the Issuer stating that the relevant requirement or circumstance referred to in Condition 10.4(i) or 10.4(ii) above applies, and (b) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing, where required in accordance with the Trust Deed. The Trustee shall accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs (without liability to any person), in which event it shall be conclusive and binding on the Trustee and the Noteholders and the Couponholders. Upon expiry of such notice, the Issuer shall either redeem, vary or substitute the Subordinated Notes, as the case may be.

In connection with any substitution or variation in accordance with this Condition 10.4, the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Subordinated Notes are for the time being listed or admitted to trading, and (for so long as the Subordinated Notes are listed on the Official List of the FSA in its capacity as competent authority under the Act and admitted to trading on the London Stock Exchange's European Economic Area Regulated Market) shall publish a supplement in connection therewith if the Issuer is required to do so in order to comply with Section 87 of the Act.

10.5 Redemption, Substitution or Variation at the Option of the Issuer due to Capital Disqualification Event

If Capital Disqualification Call is specified in the relevant Final Terms and, if after a date (the "**Capital Disqualification Event Commencement Date**") specified as such in the relevant Final

Terms, a Capital Disqualification Event occurs, and, within the period from and including the date of the occurrence of such Capital Disqualification Event to and including the date which is the first anniversary of such occurrence (or such shorter period as may be set out in the relevant Final Terms), the Issuer gives the notice referred to below and, on the date of such notice, a Capital Disqualification Event is continuing, then:

- (i) the Issuer may, subject to Condition 5.2, Condition 10.1(ii) and Condition 10.3 and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 20, the Trustee and the Principal Paying Agent (which notice shall be irrevocable), redeem in accordance with these Conditions all, but not some only, of the Subordinated Notes (unless otherwise specified in the relevant Final Terms) at any time or, if and for so long as the Subordinated Note is a Floating Rate Note, on any Interest Payment Date, provided that if the Relevant Rules so require at the relevant time any such redemption shall only occur if it is funded out of the proceeds of an issue of securities of the same or better quality capital in accordance with the Relevant Rules. The Subordinated Notes will be redeemed at their Special Redemption Price, in each case together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest; or
- (ii) the Issuer may, subject to Condition 10.3 above (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 20, the Noteholders (which notice shall be irrevocable), substitute at any time all (and not some only) of the Subordinated Notes for, or vary the terms of the Subordinated Notes so that they become, Qualifying Dated Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of the certificates of the Directors of the Issuer referred to below and in the definition of Qualifying Dated Tier 2 Securities) agree to such substitution or variation. The Trustee shall at the Issuer's expense use its reasonable endeavours to assist the Issuer in giving effect to such substitution or variation of the Subordinated Notes by executing such documents as the Issuer may consider necessary for this purpose, provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the terms of the securities into which the Subordinated Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it with regard to its obligations and/or duties as Trustee but disregarding for these purposes the interests of holders of Subordinated Notes. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Subordinated Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 10.5, the Issuer shall deliver to the Trustee (a) a certificate signed by two Directors of the Issuer stating that a Capital Disqualification Event has occurred and is continuing as at the date of the certificate, and the Trustee shall accept such certificate as sufficient evidence of the occurrence and continuation of a Capital Disqualification Event and that the substitution or variation, as the case may be, shall create Qualifying Dated Tier 2 Securities (without liability to any person for doing so), and (b) a legal opinion, where required in accordance with the Trust Deed, in which event it shall be conclusive and binding on the Trustee and the Noteholders and the Couponholders. Upon expiry of such notice, the Issuer shall either redeem, vary or substitute the Subordinated Notes, as the case may be.

In connection with any substitution or variation in accordance with this Condition 10.5, the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Subordinated Notes are for the time being listed or admitted to trading.

10.6 Optional redemption for Rating Reasons

If a Rating Methodology Call is specified in the relevant Final Terms and, if after a date (the "**Rating Methodology Event Commencement Date**") specified as such in the relevant Final Terms, a Rating Methodology Event occurs and within the period from and including the date of the occurrence of such Rating Methodology Event to and including the date which is the later of (i) the first anniversary of such occurrence and (ii) the fifth anniversary of the Issue Date, the Issuer gives the notice referred to below and if on the date of such notice the Rating Methodology Event is continuing, then:

- (i) the Issuer may, subject to Condition 5.2, Condition 10.1(ii) and Condition 10.3 and provided it is on or after the fifth anniversary of the Issue Date and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 20 (*Notices*), the Trustee and the Principal Paying Agent (which notice shall be irrevocable), redeem in accordance with these Conditions all, but not some only, of the Subordinated Notes (unless otherwise specified in the relevant Final Terms) at any time or, if and for so long as the Subordinated Note is a Floating Rate Note, on any Interest Payment Date. The Subordinated Notes will be redeemed at their Special Redemption Price, in each case together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest; or
- (ii) the Issuer may, subject to Condition 10.3 above (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, if the Notes are Registered Notes in accordance with Condition 20, the holders of such Notes (which notice shall be irrevocable), substitute at any time all (and not some only) of the Subordinated Notes for, or vary the terms of the Subordinated Notes so that they become, Rating Agency Compliant Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of certificates of Directors of the Issuer referred to below and in the definition of Qualifying Dated Tier 2 Securities and Rating Agency Compliant Securities) agree to such substitution or variation. The Trustee shall use its reasonable endeavours to assist the Issuer in giving effect to such substitution or variation of the Subordinated Notes by executing such documents as the Issuer may consider necessary for this purpose, provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the terms of the securities into which the Subordinated Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it with regard to its obligations and/or duties as Trustee but disregarding for these purposes the interests of holders of Subordinated Notes. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Subordinated Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 10.6, the Issuer shall deliver to the Trustee (a) a certificate signed by two Directors of the Issuer stating that a Rating Methodology Event has occurred and is continuing as at the date of the certificate and that the substitution or variation shall create Rating Agency Compliant Securities, and the Trustee shall accept such certificate as sufficient evidence of the occurrence and continuation of a Rating Methodology Event (without liability to any person for doing so) and (b) a legal opinion, where required in accordance with the Trust Deed, in which event it shall be conclusive and binding on the

Trustee and the Noteholders and the Couponholders. Upon expiry of such notice, the Issuer shall either redeem, vary or substitute the Subordinated Notes, as the case may be.

In connection with any substitution or variation in accordance with this Condition 10.6, the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Subordinated Notes are for the time being listed or admitted to trading.

10.7 Guarantor Deferral of Redemption

- (i) The obligations of the Guarantor under the Subordinated Guarantee to make payment of Guaranteed Amounts in respect of principal, interest or any other amount in relation to the redemption of the Subordinated Notes will be mandatorily deferred if a Guarantor Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if such payment is made.
- (ii) The Guarantor shall notify the Trustee and the Noteholders in writing no later than five Business Days after the date on which the Guarantor becomes aware of its obligation to make payment of Guaranteed Amounts in respect of principal, interest or any other amount in relation to the redemption of the Subordinated Notes and if a Guarantor Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or if a Guarantor Regulatory Deficiency Redemption Deferral Event would occur if such payment was made.
- (iii) A certificate signed by two Directors of the Guarantor confirming that (A) a Guarantor Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if payment were to be made under the Subordinated Guarantee in relation to the redemption of the Subordinated Notes or (B) a Guarantor Regulatory Deficiency Redemption Deferral Event has ceased to occur and payment under the Subordinated Guarantee in relation to the redemption of the Subordinated Notes would not result in a Guarantor Regulatory Deficiency Redemption Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Guarantor, the Trustee, the holders of the Subordinated Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person for so doing.
- (iv) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of any payment under the Subordinated Guarantee in relation to the Subordinated Notes in accordance with Condition 6.4 or this Condition 10.7 will not constitute a default by the Guarantor or the Issuer and will not give Noteholders or the Trustee any right to accelerate the Subordinated Notes.
- (v) If the obligations of the Guarantor under the Subordinated Guarantee to make payment in relation to the redemption of the Subordinated Notes are mandatorily deferred in accordance with Condition 10.7(i) above, unless all payments in respect of such redemption of the Subordinated Notes are subsequently made by the Issuer, such payment will become due and payable by the Guarantor subject to Condition 6.4 (in the case of paragraphs (A) and (B) below only) and to any notifications to, or consent from (in each case if and to the extent applicable), the FSA, and the Subordinated Notes shall be redeemed at their principal amount together with accrued interest and any Arrears of Interest, upon the earliest of:
 - (A) the date falling 10 Business Days after the date the Guarantor Regulatory Deficiency Redemption Deferral Event has ceased provided that payment under the Subordinated Guarantee in relation to the redemption of the Subordinated Notes on such date would not result in a Guarantor Regulatory Deficiency Redemption

Deferral Event occurring and no Guarantor Regulatory Deficiency Redemption Deferral Event has occurred in those 10 days which is continuing (in which case the provisions of this Condition 10.7 will apply *mutatis mutandis* to determine the due date for payment of such amounts); or

- (B) the date falling 10 Business Days after the FSA has agreed to the repayment or redemption of the Subordinated Notes by the Guarantor; or
- (C) the date on which an order is made or a resolution is passed for the winding-up of the Guarantor (other than a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Guarantor of a successor in business of the Guarantor, the terms of which reconstruction, amalgamation or substitution (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (y) do not provide that the Subordinated Notes shall thereby become payable) or the date on which any administrator of the Guarantor gives notice that it intends to declare and distribute a dividend.

10.8 Purchases

The Issuer, the Guarantor and any of their respective Subsidiaries for the time being may, having given prior written notice to, and received no objection from, the FSA (so long as such notice is required to be given), at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

10.9 Cancellation

The Subordinated Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each the Subordinated Note together with all unmatured Coupons and all unexchanged Talons to the Principal Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing the Subordinated Notes to the Registrar and, in each case, if so surrendered, shall, together with the Subordinated Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any the Subordinated Notes and Coupons shall be discharged.

10.10 Trustee not obliged to monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 10 and will not be responsible to Noteholders for any loss arising from any failure by the Trustee to do so. Unless and until the Trustee has actual knowledge pursuant to this Trust Deed of the occurrence of any event or circumstance within this Condition 10, it shall be entitled to assume that no such event or circumstance exists.

11 Payments

11.1 Bearer Notes

(i) Principal

Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Subordinated Notes at the Specified Office of any Paying Agent outside the United States by transfer to an account denominated in the currency in which the payment is due (or, if that currency is euro, any other account to which euro may be

credited or transferred) and maintained by the payee with a bank in the Principal Financial Centre of that currency.

(ii) **Interest**

Payments of interest shall, subject to Condition 11.1(viii) below, be made only against presentation and **(provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 11.1(i) above.

(iii) **Payments in New York City**

Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (A) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Subordinated Notes in the currency in which the payment is due when due, (B) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (C) payment is permitted by applicable United States law without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(iv) **Deductions for unmatured Coupons**

If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Subordinated Note is presented without all unmatured Coupons relating thereto:

- (A) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
- (B) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (a) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; **provided, however, that** where this paragraph (a) would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (b) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 11.1(i) above against presentation and **(provided that** payment is made in full) surrender of the relevant missing Coupons.

(v) **Unmatured Coupons void**

If the relevant Final Terms specifies that this Condition 11.1(v) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Subordinated Note or early redemption in whole of such Subordinated Note pursuant to Condition 10.2, Condition 10.4, Condition 10.5 or Condition 10.6, all unmaturing Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(vi) **Payments on business days**

If the due date for payment of any amount in respect of any Subordinated Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(vii) **Payments other than in respect of matured Coupons**

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 11.1(iii) above).

(viii) **Partial payments**

If a Paying Agent makes a partial payment in respect of any Subordinated Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(ix) **Exchange of Talons**

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Subordinated Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 13. Upon the due date for redemption of any Subordinated Note, any unexchanged Talon relating to such Subordinated Note shall become void and no Coupon will be delivered in respect of such Talon.

11.2 Registered Notes

- (i) Payment of the Redemption Amount in respect of Registered Notes will be made against presentation and, save in the case of partial payment of the Redemption Amount, surrender of the relevant Registered Notes at the specified office of the Registrar. If the due date for payment of the Redemption Amount of any Registered Note is not a Payment Business Day, then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions in which event interest shall continue to accrue as provided in Condition 7 or 8, as appropriate.
- (ii) Payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar at the close of business (local time in the place of the specified office of the Registrar) on the fifteenth day prior to the due date for such payment (the "**Record Date**").

- (iii) Payment will be made in the currency in which such amount is due by cheque posted to the Noteholder's registered address (or, in the case of joint Holders, the first-named) not later than the relevant due date for payment, unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first-named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency.

11.3 General provisions

The following provisions apply to both Bearer Notes and Registered Notes. Payments of amounts due (whether principal, interest or otherwise) in respect of Subordinated Notes will be made in the currency in which such amount is due at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee.

- (i) **Payments subject to fiscal laws**

All payments in respect of the Subordinated Notes are subject in all cases to any applicable fiscal or other laws and regulations in any jurisdiction (whether by operation of law or agreement of the Issuer or the Guarantor) and neither the Issuer nor the Guarantor will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 12. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

- (ii) Without prejudice to the generality of the foregoing, the Issuer reserves the right to require any person receiving payment of principal or, as the case may be, payment of interest with respect to any Subordinated Note or Coupon to provide a Paying Agent with such certification or information as may be required to enable the Issuer to comply with the requirements of the United States Federal Income Tax laws or such other laws with which the Issuer may be required to comply.

12 Taxation

12.1 Gross-up

All payments of principal and interest in respect of the Subordinated Notes, the Coupons and the Subordinated Guarantee by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Subordinated Note or Coupon:

- (i) held by or on behalf of a holder who (A) is able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residency or other similar claim for exemption to the relevant tax authority; or (B) is liable to such taxes, duties, assessments or governmental charges in respect of such Subordinated Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Subordinated Note or Coupon; or

- (ii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) 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 Subordinated Note or Coupon to another Paying Agent in a Member State of the EU; or
- (iv) presented for payment more than 30 days after the Relevant Date except to the extent that the holder of such Subordinated Note or Coupon would have been entitled to such additional amounts on presenting such Subordinated Note or Coupon for payment on the last day of such period of 30 days.

Notwithstanding any other provision in these Conditions, the Issuer or, as the case may be, the Guarantor shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**") as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer or the Guarantor, as the case may be, not being entitled to receive payments free of FATCA withholding. Providing that the Issuer and the Guarantor have used all reasonable endeavours to ensure that FATCA withholding does not apply to such payments as a result of the paying agent (or any other person acting on behalf of the Issuer or Guarantor) not being entitled to receive payments free of FATCA withholding, the Issuer or, as the case may be, the Guarantor shall not be liable to pay additional amounts, or otherwise be obliged to indemnify an investor, for any FATCA withholding deducted or withheld by the Issuer or the Guarantor, as the case may be, any paying agent or any other party.

12.2 Taxing jurisdiction

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the United Kingdom, references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

Any reference in these Conditions to principal or interest shall be deemed to include any Additional Amounts in respect of principal or interest, as the case may be, which may be payable under this Condition 12 or any undertaking given in addition to or in substitution of this Condition 12 pursuant to the Trust Deed, and references herein to interest shall, where the context requires, include Arrears of Interest.

13 Prescription

Claims against the Issuer or the Guarantor for payment of principal and interest (including Arrears of Interest, if any) in respect of the Subordinated Notes shall become void 10 years and five years, respectively, after the applicable relevant date and shall thereafter be forfeited and revert to the Issuer.

14 Events of Default and Enforcement

14.1 Rights to institute winding up of the Issuer

Notwithstanding any of the provisions below in this Condition 14, the right to institute winding-up, liquidation or dissolution proceedings is limited to circumstances where payment has become due. Pursuant to Condition 5.2, no principal, interest or any other amount will be due on the relevant payment date if the Issuer Solvency Condition is not satisfied, at the time of and immediately after

any such payment. In the case of any payment of interest in respect of the Subordinated Notes, such payment may be deferred pursuant to Condition 9.1 and if so deferred will not be due and will be deferred and not be due if Condition 9.2 applies and in the case of payment of principal, such payment will be deferred and will not be due if Condition 10.1(ii) applies.

If:

- (i) default is made for a period of 14 days or more in the payment of any interest due in respect of the Subordinated Notes or any of them; or
- (ii) default is made for a period of 14 days or more in payment of the principal due in respect of the Subordinated Notes or any of them,

and such default is continuing, the Trustee may at its discretion and without further notice (subject to Condition 14.5 below) institute proceedings for the winding-up, liquidation or dissolution of the Issuer and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer for such payment, but may take no further or other action to enforce, prove or claim for any such payment.

14.2 Rights to institute winding-up of the Guarantor

Notwithstanding any of the provisions below in this Condition 14, the right to institute winding-up, liquidation or dissolution proceedings is limited to circumstances where payment has become due. Pursuant to Condition 6.4, no principal, interest or any other amount will be due from the Guarantor on the relevant payment date if the Guarantor Solvency Condition is not satisfied, at the time of and immediately after any such payment. In the case of any payment under the Subordinated Guarantee in respect of interest under the Subordinated Notes, such payment may be deferred pursuant to Condition 9.4(i) and if so deferred will not be due and will be deferred and not be due if Condition 9.4(ii) applies and, in the case of any payment under the Subordinated Guarantee in respect of principal, such payment will be deferred and will not be due if Condition 10.7(i) applies.

If default is made by the Guarantor for a period of 14 days or more in respect of any payment due under the Subordinated Guarantee, the Trustee may at its discretion institute proceedings for the winding-up, liquidation or dissolution of the Guarantor and/or prove in the winding-up or administration of the Guarantor and/or claim in the liquidation of the Guarantor for such payment, but may take no further or other action to enforce, prove or claim for any such payment.

14.3 Amount payable on winding-up

- (i) **Issuer winding-up:** If an order is made by the competent court or a resolution passed for the winding-up, liquidation or dissolution of the Issuer (except, in any such case, a solvent winding-up, liquidation or dissolution, solely for the purpose of a reconstruction or amalgamation of the Issuer, the terms of which reconstruction or amalgamation (A) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (B) do not provide that the Subordinated Notes shall thereby become payable) or an administrator of the Issuer gives notice that it intends to declare and distribute a dividend, the Trustee at its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Subordinated Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 14.5 below), give notice to the Issuer that the Subordinated Notes are, and they shall accordingly forthwith become, immediately due and repayable at the amount equal to their principal amount together with accrued interest and any Arrears of Interest.
- (ii) **Guarantor winding-up:** If an order is made by the competent court or a resolution passed for the winding-up, liquidation or dissolution of the Guarantor (except, in any such case, a

solvent winding-up, liquidation or dissolution, solely for the purpose of a reconstruction or amalgamation of the Guarantor, the terms of which reconstruction or amalgamation (A) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (B) do not provide that the Subordinated Notes shall thereby become payable) or an administrator of the Guarantor gives notice that it intends to declare and distribute a dividend, the Trustee at its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Subordinated Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 14.5 below), give notice to the Guarantor that the Subordinated Notes are, and they shall accordingly forthwith become, immediately due and repayable at the amount equal to their principal amount together with accrued interest and any Arrears of Interest.

14.4 Enforcement

Without prejudice to Condition 14.1, 14.2 or 14.3 above, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer or the Guarantor as it may think fit to enforce any obligation, condition or provision binding on the Issuer or the Guarantor (as applicable) under the Trust Deed, the Subordinated Notes or the Coupons (other than any payment obligation of the Issuer or the Guarantor under or arising from the Subordinated Notes, the Coupons or the Trust Deed, including, without limitation, payment of any principal, premium or interest in respect of the Subordinated Notes or the Coupons and any damages awarded for breach of any obligations and payment under the Subordinated Guarantee) and in no event shall the Issuer or the Guarantor, 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 14.4 shall (i) subject to Condition 14.1 above, prevent the Trustee instituting 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 Subordinated Notes, the Coupons or the Trust Deed (including, without limitation, payment of any principal, premium, or interest in respect of the Subordinated Notes or the Coupons and any damages awarded for any breach of any obligations) or (ii) subject to Condition 14.2 above, prevent the Trustee instituting proceedings for the winding-up of the Guarantor, proving in any winding-up of the Guarantor and/or claiming in any liquidation of the Guarantor in respect of any payment obligations of the Guarantor under the Subordinated Guarantee.

14.5 Entitlement of the Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 14.1, 14.2, 14.3 or 14.4 above to enforce the obligations of the Issuer or the Guarantor under the Trust Deed, the Subordinated Notes or the Coupons 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 Subordinated Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

14.6 Right of Noteholders

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or the Guarantor 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 shall be continuing, in which case the 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 14.

14.7 Extent of Noteholders' remedy

No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 14, shall be available to the Trustee or the Noteholders or Couponholders, whether for the recovery of amounts owing in respect of the Subordinated Notes or under the Trust Deed or in respect of any breach by the Issuer or the Guarantor of any of its other obligations under or in respect of the Subordinated Notes or Coupons or under the Trust Deed.

15 Replacement of Subordinated Notes, Certificates, Coupons and Talons

If any Subordinated Note, Certificate, or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent or, in the case of Registered Notes, the Registrar (and, if the Subordinated Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Subordinated Notes or Coupons must be surrendered before replacements will be issued.

16 Trustee and Paying Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or prefunded before taking any steps or action or instituting any proceedings and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequences for individual holders of Subordinated Notes or Coupons as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

Under the Agency Agreement, the Paying Agents are entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid their costs and expenses in priority to the claims of the Noteholders. In addition, the Paying Agents are entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In acting under the Agency Agreement and in connection with the Subordinated Notes and the Coupons, the Paying Agents, the Registrar and the Transfer Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents, Registrar and Transfer Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer and the Guarantor reserve the right, with the prior approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent (including the Principal Paying Agent), the Registrar, any Transfer Agent or the Calculation Agent and to appoint a successor Principal Paying Agent, registrar or calculation agent and additional or successor paying agents or transfer agents; **provided, however, that:**

- (i) the Issuer and the Guarantor shall at all times maintain a Principal Paying Agent (and, in the case of Registered Notes, a Registrar); and

- (ii) the Issuer and the Guarantor shall at all times maintain a paying agent in an EU member state that will not be 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 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (iii) if a Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantor shall at all times maintain a Calculation Agent; and
- (iv) if and for so long as the Subordinated Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents, the Registrar or any of the Transfer Agents or in their Specified Offices shall promptly be given to the Noteholders.

No holder of any of the Subordinated Notes or Coupons shall be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such holder of any of the Subordinated Notes or, as the case may be, Coupons except to the extent provided for in Condition 12 (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

17 Meetings of Noteholders; Modification; Waiver and Substitution; Supervisory Consent

17.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Subordinated Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Subordinated Notes, provided that the Trustee is indemnified and/or secured and/or prefunded to its satisfaction. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Voters (as defined in the Trust Deed) holding or representing one more than half of the aggregate principal amount of the outstanding Subordinated Notes or, at any adjourned meeting, two or more Voters being or representing Noteholders, whatever the principal amount of the Subordinated Notes held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Voters holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Subordinated Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders holding or representing 90 per cent. of the aggregate principal amount of the outstanding Subordinated Notes who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed shall take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

Notwithstanding the foregoing, the agreement or approval of the Subordinated Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed to which the Trustee has been obliged to agree in the circumstances described in Conditions 10.4 and 10.5 in connection with the substitution or variation of the Subordinated Notes so that they are replaced by, or become, Qualifying Dated Tier 2 Securities or in the circumstances described in Condition 10.6 in connection with the substitution or variation of the Subordinated Notes so that they are replaced by, or become, Rating Agency Compliant Securities, and no such substitution, variation or amendment proposed in relation thereto shall be regarded as a matter described in paragraphs (a) to (g) in the definition of “Reserved Matter” with respect to Subordinated Notes in the Trust Deed.

17.2 Modification and waiver

The Trustee may, without the consent of the Noteholders or the Couponholders agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Subordinated Notes or the Trust Deed which is, in the opinion of the Trustee, of a formal, minor or technical nature, or is made to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders or Couponholders authorise or waive any proposed breach of the Subordinated Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

17.3 Substitution

Subject to the Issuer or the Guarantor (as the case may be) giving at least one month’s prior written notice to, and receiving no objection from, the FSA (or such shorter period of notice as the FSA may accept and so long as there is a requirement to give such notice), the Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders or Couponholders, may agree with the Issuer and the Guarantor, without the consent of the Noteholders or Couponholders, to the substitution:

- (i) in place of the Issuer (or of any previous Substitute Issuer under this Condition 17.3) as the principal debtor under this Trust Deed of either (A) the Guarantor or (B) any other subsidiary or any holding company (each as defined in Section 1159 of the Companies Act 2006) of the Issuer or (C) a successor in business to the Issuer (each a “**Substitute Issuer**”); or
- (ii) (where applicable) in place of the Guarantor (or of any previous Substitute Guarantor under this Condition 17.3) as guarantor under this Trust Deed of either (A) a successor in business to the Guarantor or (B) a subsidiary or holding company (each as defined in Section 1159 of the Companies Act 2006) of the Guarantor (each a “**Substitute Guarantor**”),

(and a Substitute Issuer or a Substitute Guarantor being hereinafter referred to as the “**Substitute Obligor**”), provided that, in each case:

- (A) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed, the Subordinated Notes, the Coupons and the Talons, with any consequential amendments which the Trustee may deem appropriate, as fully as if the

Substitute Obligor had been named in the Trust Deed and on the Subordinated Notes, the Coupons and the Talons, as the principal debtor in place of the Issuer or (as the case may be) as the guarantor in place of the Guarantor (as the case may be) (or, in either case, any previous Substitute Obligor under this Condition 17.3);

- (B) (unless the Guarantor or the successor in business of the Issuer is the Substitute Issuer) the obligations of the Substitute Issuer under the Trust Deed, the Subordinated Notes, the Coupons and the Talons are guaranteed in a form and manner satisfactory to the Trustee by the Guarantor (or the successor in business of the Guarantor) on a basis equivalent to that referred to in Condition 6 and in the Trust Deed and in a form and manner satisfactory to the Trustee;
- (C) (where applicable, unless the successor in business of the Guarantor is the Substitute Guarantor or the substitution of the Guarantor is effected in accordance with paragraph (G) below) the obligations of the Substitute Guarantor under this Trust Deed are guaranteed in a form and manner satisfactory to the Trustee by the Guarantor (or the successor in business of the Guarantor) on a basis equivalent to that referred to in Condition 6 and in the Trust Deed and in a form and manner satisfactory to the Trustee;
- (D) if the directors of the Substitute Obligor or other officers acceptable to the Trustee shall certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected, the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer or (as the case may be) the Guarantor or (as the case may be) any previous Substitute Obligor;
- (E) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the “**Substituted Territory**”) other than the territory of the taxing jurisdiction of which (or to any such authority of or in which) the Issuer or (as the case may be) the Guarantor is subject generally (the “**Original Territory**”), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 12 with the substitution for the references in that Condition and in Condition 10.4 to the Original Territory, of references to the Substituted Territory, whereupon the Trust Deed, the Subordinated Notes, the Coupons and the Talons will be read accordingly;
- (F) (where applicable, unless the successor in business of the Guarantor is the Substitute Guarantor) in the case of a substitution by a Substitute Guarantor, the Subordinated Notes shall be rated by each of the Rating Agencies both immediately prior to and following such substitution, and such ratings following any such substitution are expected to be no less than those assigned to the Subordinated Notes immediately prior thereto; and
- (G) the Issuer, the Guarantor and the Substitute Obligor comply with such other requirements as are reasonable in the interests of the Noteholders, as the Trustee may direct.

“**Rating Agencies**” means, in respect of any applicable Tranche of Subordinated Notes, those rating agencies from whom the Issuer and/or the Guarantor have solicited a rating at the relevant time for the purposes of paragraph (G) above, provided that there shall be at least one such rating agency.

In connection with any proposed substitution as aforesaid, the Trustee shall have regard to the interests of the Noteholders as a class and the Trustee shall not have regard to the consequences of such substitution or such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the

jurisdiction of, any particular territory. In connection with any substitution or such exercise as aforesaid, no Noteholder or Couponholder shall be entitled to claim, whether from the Issuer, the Guarantor, the Substitute Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Noteholders or Couponholders, except to the extent already provided in Condition 12, and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

17.4 Supervisory Consent

No modification to these Conditions or any other provisions of the Trust Deed or the Agency Agreement (other than a modification which is of a formal, minor or technical nature or to correct a manifest error) shall become effective unless at least one month's prior written notice (or such other term which the Relevant Rules may require from time to time in relation to Lower Tier 2 Capital (prior to Solvency II Implementation) and Tier 2 Capital (on and following Solvency II Implementation)) shall have been given to the FSA and Supervisory Consent (if required) shall have been obtained by the Issuer.

18 Transfer of Business of the Guarantor

In connection with any transfer of the whole or a substantial part of its business:

- (i) to another body in accordance with Part VII of the FSMA (a "**Successor**"); or
- (ii) to a single legal entity where such transfer is pursuant to the exercise by the FSA or the Financial Services Compensation Scheme of its powers in connection with any applicable law, rule or regulation,

the Guarantor shall procure that there be included in the transfer, all the liabilities and obligations of the Guarantor as principal obligor under the Subordinated Guarantee and references in these Conditions and the Trust Deed to the Guarantor shall be construed accordingly. Any such transfer may be made without prior approval from the Trustee or the Noteholders, but is without prejudice to any statutory right of the Trustee or the Noteholders to raise objections in respect of any such transfer.

In this Condition 18, "**a substantial part**" means any part which, as at the most recent valuation date by reference to the latest published financial statements of the Guarantor and as certified in writing by two Directors of the Guarantor to the Trustee, represents 50 per cent. or more of liabilities (where the amount of the liabilities of the Guarantor is deemed to mean the same as the technical provisions of the Guarantor, net of reinsurance and not including participations in subsidiaries) relating to policies underwritten by the Guarantor.

19 Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Subordinated Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Subordinated Notes. The Issuer may from time to time, with the consent of the Trustee create and issue other series of Subordinated Notes having the benefit of the Trust Deed.

20 Notices

20.1 To Holders of Bearer Notes

Notices to Holders of Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper published in London (which is expected to be the *Financial*

Times) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

20.2 To Holders of Registered Notes

Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the Register) at their respective addresses as recorded in the Register, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day. With respect to Registered Notes listed on the London Stock Exchange, any notices to Holders must also be published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*) and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

21 Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (ii) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up) and (iii) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22 Governing Law and Jurisdiction

22.1 Governing law

The Subordinated Notes and the Trust Deed and all non-contractual obligations arising from or connected with the Subordinated Notes and the Trust Deed are governed by, and shall be construed in accordance with, English law, save that the provisions of Condition 5 and Condition 6 (and the related provisions of the Trust Deed) relating to the status and subordination of the Subordinated Notes and the Subordinated Guarantee are governed by, and shall be construed in accordance with, Scots law.

22.2 Jurisdiction

Each of the Issuer and the Guarantor has in the Trust Deed (i) agreed for the benefit of the Trustee and the Noteholders that the Courts of England shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising from or connected with the Subordinated Notes; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; and (iii) consented to the enforcement of any judgment. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Noteholders from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Noteholders may take concurrent Proceedings in any number of jurisdictions.

FORM OF FINAL TERMS IN RESPECT OF SENIOR NOTES

The Final Terms in respect of each Tranche of Senior Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Senior Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [●]

Standard Life plc

(a public company incorporated with limited liability in Scotland with registered number SC286832)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

EUR3,000,000,000

Euro Medium Term Note Programme

with the option for notes to be guaranteed by Standard Life Assurance Limited

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the “**Conditions**”) set forth in the Base Prospectus dated 10 May 2012 [and the supplemental Base Prospectus dated [●]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Senior Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer[, the Guarantor] and the offer of the Senior Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]]. *The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.* Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) contained in the Trust Deed dated [original date] and set forth in the base prospectus dated [original date] and incorporated by reference into the Base Prospectus dated [current date] [and which are attached hereto]. This document constitutes the Final Terms of the Senior Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Base Prospectus dated [date]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive. The Base Prospectuses [and the supplemental Base Prospectus(es)] are available for viewing at [website].

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

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

- | | | | |
|---|---------|-------------------|----------------------------------|
| 1 | (i) | Issuer: | Standard Life plc |
| | [(ii)] | Senior Guarantee: | [Applicable/Not Applicable] |
| | [(iii)] | Guarantor: | Standard Life Assurance Limited] |
| 2 | [(i)] | Series Number: | [●] |
| | [(ii)] | Tranche Number: | [●] |

(If fungible with an existing Series, details of that Series, including the date on which the Senior Notes become fungible).

- | | | |
|----|---|---|
| 3 | Specified Currency or Currencies: | [●] |
| 4 | Aggregate Nominal Amount: | [●] |
| | [(i)] Series: | [●] |
| | [(ii)] Tranche: | [●] |
| 5 | Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from <i>[insert date]</i> (<i>in the case of fungible issues only, if applicable</i>)] |
| 6 | (i) Specified Denominations: | [●] ¹ |
| | (ii) Calculation Amount: | [●] |
| 7 | (i) Issue Date: | [●] |
| | (ii) Interest Commencement Date: | [Specify/Issue Date/Not Applicable] |
| 8 | Maturity Date: | <p><i>[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]</i></p> <p><i>[If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.]</i></p> |
| 9 | Interest Basis: | <p>[[●] per cent. Fixed Rate]</p> <p>[[Specify reference rate] +/- [●] per cent. Floating Rate]</p> <p>[Zero Coupon]</p> <p>[Index Linked Interest]</p> <p>[Other (<i>Specify</i>)]</p> <p>(further particulars specified below)</p> |
| 10 | Redemption/Payment Basis: | <p>[Redemption at par]</p> <p>[Index Linked Redemption]</p> <p>[Dual Currency]</p> <p>[Partly Paid]</p> <p>[Instalment]</p> <p>[Other (<i>Specify</i>)]</p> |
| 11 | Change of Interest or Redemption/Payment Basis: | <i>[Specify details of any provision for convertibility of Senior Notes into another interest or redemption/ payment basis]</i> |

¹ Senior Notes with a maturity of less than one year will have a minimum denomination of at least £100,000 (or other currency equivalent). Other Senior Notes will have a minimum denomination of at least EUR100,000 (or other currency equivalent).

- 12 Put/Call Options: [Investor Put]
[Issuer Call]
[[further particulars specified below]]
- 13 [(i)] Status of the Senior Notes: Senior
- [(ii)] [Date [Board] approval for issuance of Notes [and Senior Guarantee] [respectively]] obtained:] [[•] and [•], respectively
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Senior Guarantee, if any)]
- 14 Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 15 **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]
- (ii) Interest Payment Date(s): [•] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA/ISDA)/other]
- (vi) [Determination Dates: [Not Applicable]/[[•] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
- 16 **Floating Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s): [•]
- (ii) Specified Period: [•]
(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")
- (iii) Specified Interest Payment Dates: [•]
(Specified Period and Specified Interest Payment Dates are

alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")

- (iv) [First Interest Payment Date]: [•]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]
- (vi) Additional Business Centre(s): [Not Applicable/give details]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent): [[Name] shall be the Calculation Agent (no need to specify if the Principal Paying Agent is to perform this function)]
- (ix) Screen Rate Determination:
- Reference Rate: [For example, LIBOR or EURIBOR]
 - Interest Determination Date(s): [•]
 - Relevant Screen Page: [For example, Reuters LIBOR 01/EURIBOR 01]
 - Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
 - Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprising the countries whose lawful currency is the euro)]
- (x) ISDA Determination:
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
- (xi) Margin(s): [+/-][•] 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: [•]
- (xv) Fall-back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [•]

17	Zero Coupon Note Provisions	<p>[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i></p> <p>(i) [Amortisation/Accrual] Yield: [•] per cent. per annum</p> <p>(ii) Reference Price: [•]</p> <p>(iii) Any other formula/basis of determining amount payable: <i>[Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition [11 (g)]]</i></p>
18	Index-Linked Interest Note/ other variable-linked interest Note Provisions	<p>[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i></p> <p>(i) Index/Formula/Other variable: <i>[give or annex details]</i></p> <p>(ii) Calculation Agent responsible for calculating the interest due: [•]</p> <p>(iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [•]</p> <p>(iv) Interest Determination Date(s): [•]</p> <p>(v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]</p> <p>(vi) Interest or calculation period(s): [•]</p> <p>(vii) Specified Period: [•] <i>(Specified Period and Specified interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")</i></p> <p>(viii) Specified Interest Payment Dates: [•] <i>(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")</i></p> <p>(ix) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other <i>(give details)</i>]</p>

- (x) Additional Business Centre(s): [•]
 - (xi) Minimum Rate of Interest: [•] per cent. per annum
 - (xii) Maximum Rate of Interest: [•] per cent. per annum
 - (xiii) Day Count Fraction: [•]
- 19 **Dual Currency Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
 - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [•]
 - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [•]
 - (iv) Person at whose option Specified Currency (ies) is/are payable: [•]

PROVISIONS RELATING TO REDEMPTION

- 20 **Call Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [•]
 - (ii) Optional Redemption Amount(s) of each Senior Note and method, if any, of calculation of such amounts): [•] per Calculation Amount
 - (iii) If redeemable in part:
 - Minimum Redemption Amount: [•] per Calculation Amount
 - Maximum Redemption Amount: [•] per Calculation Amount
 - (iv) Notice period: [•]
- 21 **Put Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [•]
 - (ii) Optional Redemption [•] per Calculation Amount

	Amounts) of each Note and method, if any, of calculation of such amount(s):	
	(iii) Notice period:	[•]
22	Final Redemption Amount of each Senior Note	[•] per Calculation Amount
	In cases where the Final Redemption Amount is Index-Linked or other variable-linked:	
	(i) Index/Formula/variable:	[give or annex details]
	(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[•]
	(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[•]
	(iv) Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable:	[•]
	(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[•]
	(vi) [Payment Date]:	[•]
	(vii) Minimum Final Redemption Amount:	[•] per Calculation Amount
	(viii) Maximum Final Redemption Amount:	[•] per Calculation Amount
23	Early Redemption Amount	[Not Applicable]
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	<i>(If both the Early Redemption Amount (Tax) and the Early Redemption Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Redemption Amount if different from the principal amount of the Senior Notes)</i>

GENERAL PROVISIONS APPLICABLE TO THE SENIOR NOTES

24	Form of Senior Notes:	<p>Bearer Notes</p> <p>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]²</p> <p>[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]²</p> <p>[Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]²</p> <p>Registered Notes</p> <p>[Global Note Certificate registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]]</p>
25	New Global Note:	[Yes] [No]
26	Additional Financial Centre(s) or other special provisions relating to payment dates:	<i>[Not Applicable/give details</i> <i>Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which subparagraphs 15(ii), 16(vi) and 18(x) relate]</i>
27	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. <i>If yes, give details]</i>
28	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:	[Not Applicable/give details]
29	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/give details]
30	Consolidation provisions:	[Not Applicable]/[The provisions [in Condition 19 (<i>Further Issues</i>)] [annexed to this Final Terms] apply]
31	Other final terms:	[Not Applicable/give details] <i>[(When adding any other final terms, consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a</i>

² *If the Global Note is exchangeable for Definitive Notes at the option of the holder on [●] days' notice/at any time, the Notes shall be tradeable only in amounts of at least the Specified Denomination (or, if more than one Specified Denomination, the lowest Specific Denomination) specified in paragraph 6 and multiples thereof.*

supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

DISTRIBUTION

- | | | |
|----|---------------------------------------|--|
| 32 | (i) If syndicated, names of Managers: | [Not Applicable/give names, addresses and underwriting commitments]

(Include names of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.) |
| | (iii) Stabilising Managers (if any); | [Not Applicable/give name] |
| 33 | If non-syndicated, name of Dealer: | [Not Applicable/give name and address] |
| 34 | U.S. Selling Restrictions: | [Reg. S Compliance Category [●]; TEFRA C/TEFRA D/TEFRA not applicable] |
| 35 | Additional selling restrictions: | [Not Applicable/give details] |

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the Regulated Market of the London Stock Exchange of the Senior Notes described herein pursuant to the EUR3,000,000,000 Euro Medium Term Note Programme of Standard Life plc and Standard Life Assurance Limited. [(Relevant third party information) has been extracted from (specify source).] [Each of the][The] Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (specify source), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

RESPONSIBILITY

[Each of the][The] Issuer [and the Guarantor] accepts responsibility for the information contained in these Final Terms.

Signed on behalf of

STANDARD LIFE PLC:

By:

Duly authorised

[Signed on behalf of

STANDARD LIFE ASSURANCE LIMITED:

By:

Duly authorised]

PART B – OTHER INFORMATION

1 LISTING

- (i) Listing: [London/None]
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Senior Notes to be admitted to trading on the Regulated Market of the London Stock Exchange with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Senior Notes to be admitted to trading on the Regulated Market of the London Stock Exchange with effect from [●].] [Not Applicable]
- (Where documenting a fungible issue, need to indicate that original Senior Notes are already admitted to trading.)*

2 RATINGS

- Ratings: [The Senior Notes to be issued have been rated:
[S &P: [●]]
[Moody's: [●]]
[Fitch: [●]]
[[Other]: [●]]

[The Senior Notes have not specifically been rated.]

(The above disclosure should reflect the rating allocated to Senior Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

Insert one (or more) of the following options, as applicable:

Option 1: CRA is (i) established in the EU and (ii) registered under the CRA Regulation:

[Insert legal name of particular credit rating agency entity providing rating] is established in the EU and registered under Regulation (EC) No 1060/2009.

Option 2: CRA is not established in the EU but the relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation:

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EU but the rating it has given to the Senior Notes is endorsed by [insert legal name of credit rating agency], which is established in the EU and registered under Regulation (EC) No 1060/2009.

Option 3: CRA is not established in the EU and the relevant rating is not endorsed under the CRA Regulation, but the CRA is certified under the CRA Regulation:

[Insert legal name of particular credit rating agency entity

providing rating] is not established in the EU but is certified under Regulation (EC) No 1060/2009.

Option 4: CRA is neither established in the EU nor certified under the CRA Regulation and the relevant rating is not endorsed under the CRA Regulation:

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EU and is not certified under Regulation (EC) No 1060/2009 (the "**CRA Regulation**") and the rating it has given to the Senior Notes is not endorsed by a credit rating agency established in the EU and registered under the CRA Regulation.

3 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

Need to include a description of any interests, including conflicting ones, that are material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Senior Notes has an interest material to the offer."

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

4 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the offer: [•]

(See ["Use of Proceeds"] wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks, will need to include those reasons here.)]

[(ii) Estimated net proceeds: [•]

(If proceeds are intended for more than one use, will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses, state amount and sources of other funding.)

[(iii) Estimated total expenses: [•]

[Include breakdown of expenses]
(If the Notes are derivative securities to which Annex XII to the Prospectus Directive Regulation applies, it is only necessary to include disclosure of net proceeds and total expenses at sub-paragraphs (ii) and (iii) above where disclosure is included at sub-paragraph (i) above.)

5 [Fixed Rate Notes only – YIELD]

Indication of yield: [•]

Calculated as *[include details of method of calculation in summary form]* on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 **[Floating Rate Notes only – HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

7 **[Index-Linked or other Variable-Linked Notes only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. [Where the underlying is an index, need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer, need to include details of where the information about the index can be obtained. Where the underlying is not an index, need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII to the Prospectus Directive Regulation.]]

[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

8 **[Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

9 **OPERATIONAL INFORMATION**

ISIN Code: [•]

Common Code: [•]

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/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s): [•]

Names and addresses of additional Paying Agent(s) (if any): [•]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No][Not Applicable]
[Note that the designation “yes” simply means that the Senior 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][*include this for registered notes*] and does not necessarily mean that the Senior 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.] [*Include this text if “yes” is selected, in which case the Senior Notes must be issued in NGN form or held under the NSS, as appropriate*]

FORM OF FINAL TERMS IN RESPECT OF SUBORDINATED NOTES

The Final Terms in respect of each Tranche of Subordinated Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Subordinated Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [●]

Standard Life plc

(a public company incorporated with limited liability in Scotland with registered number SC286832)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

EUR3,000,000,000

Euro Medium Term Note Programme

with the option for notes to be guaranteed by Standard Life Assurance Limited

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the “**Conditions**”) set forth in the Base Prospectus dated 10 May 2012 [and the supplemental Base Prospectus dated [●]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Subordinated Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented].

Full information on the Issuer[, the Guarantor] and the offer of the Subordinated Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) contained in the Trust Deed dated [original date] and set forth in the base prospectus dated [original date] and incorporated by reference into the Base Prospectus dated [current date] [and which are attached hereto]. This document constitutes the Final Terms of the Subordinated Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Base Prospectus dated [date]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive. The Base Prospectuses [and the supplemental Base Prospectus[es]] are available for viewing at [website].

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

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

1	(i) Issuer:	Standard Life plc
	[(ii) Subordinated Guarantee:	[Applicable/Not Applicable]]
	[(iii) Guarantor:	Standard Life Assurance Limited]
2	[(i)] Series Number:	[•]
	[(ii)] Tranche Number:	[•]
	<i>(If fungible with an existing Series, details of that Series, including the date on which the Subordinated Notes become fungible).</i>	
3	Specified Currency or Currencies:	[•]
4	Aggregate Nominal Amount:	[•]
	[(i)] Series:	[•]
	[(ii)] Tranche:	[•]
5	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] <i>(in the case of fungible issues only, if applicable)</i>]
6	(i) Specified Denominations:	[•]
	(ii) Calculation Amount:	[•]
7	(i) Issue Date:	[•]
	(ii) Interest Commencement Date:	<i>[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]</i>
8	Maturity Date:	[Not Applicable/other]
9	Interest Basis:	[[•] per cent. Fixed Rate] [[Specify reference rate] +/- [•] per cent. Floating Rate] [Other (specify)]
10	Redemption/Payment Basis:	[Redemption at par] [Other (Specify)] [[further particulars specified below]]
11	Change of Interest or Redemption/Payment Basis:	<i>[Specify details of any provision for convertibility of Subordinated Notes into another interest or redemption/payment basis]</i>
12	Call Options:	[Issuer Call] [[further particulars specified below]]
13	[(i)] Status of the Subordinated Notes:	Subordinated
	[(ii)] [Date [Board] approval for issuance of Subordinated Notes [and Subordinated Guarantee] obtained:]	[[•] [and [•], respectively <i>(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Subordinated Notes or the related Subordinated Guarantee, if any)</i>]
14	Method of distribution:	[Syndicated/Non-syndicated]
PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE		
15	Fixed Rate Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of</i>

		<i>this paragraph</i>)
(i)	Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (<i>specify</i>)] in arrear]
(ii)	Interest Payment Date(s):	[●] in each year adjusted in accordance with [<i>specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"</i>]/not adjusted
(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
(v)	Day Count Fraction:	[30/360/Actual/Actual (ICMA/ISDA)/other]
(vi)	[Determination Dates:	[Not Applicable]/[[●] in each year (<i>insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)</i>)]
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Subordinated Notes:	[Not Applicable/ <i>give details</i>]
16	Floating Rate Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Interest Period(s):	[●]
(ii)	Specified Period:	[●] <i>(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")</i>
(iii)	Specified Interest Payment Dates:	[●] <i>(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")</i>
(iv)	[First Interest Payment Date]:	[●]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (<i>give details</i>)]
(vi)	Additional Business Centre(s):	[Not Applicable/ <i>give details</i>]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (<i>give details</i>)]

- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent): *[[Name] shall be the Calculation Agent (no need to specify if the Principal Paying Agent is to perform this function)]*
- (ix) Screen Rate Determination:
- Reference Rate: *[For example, LIBOR or EURIBOR]*
 - Interest Determination Date(s): *[•]*
 - Relevant Screen Page: *[For example, Reuters LIBOR 01/EURIBOR 01]*
 - Relevant Time: *[For example, 11.00 a.m. London time/Brussels time]*
 - Relevant Financial Centre: *[For example, London/Euro-zone (where Euro-zone means the region comprising the countries whose lawful currency is the euro)]*
- (x) ISDA Determination:
- Floating Rate Option: *[•]*
 - Designated Maturity: *[•]*
 - Reset Date: *[•]*
- (xi) Margin(s): *[+/-][•] 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: *[•]*
- (xv) Fall-back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: *[•]*

17 **Issuer Optional Interest Deferral** *[Applicable/Not Applicable]*

18 **[Guarantor Optional Interest Deferral]** *[Applicable/Not Applicable]*

PROVISIONS RELATING TO REDEMPTION

19 **Right to Extend Maturity Date:** *[Applicable/Not Applicable] [The Extended Maturity Date is [•]]*

20 **Call Option** *[Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Optional Redemption Date(s): *[•]*

(ii) Optional Redemption Amount(s) of each Subordinated Note and

- method, if any, of calculation of such amount(s):
- (iii) If redeemable in part:
- Minimum Redemption Amount: [•] per Calculation Amount
 - Maximum Redemption Amount: [•] per Calculation Amount
- (iv) Notice period: [•]
- 21 **Capital Disqualification Call:** [Applicable/Not Applicable]
- 22 **Rating Methodology Call:** [Applicable/Not Applicable]
- 23 **Final Redemption Amount of each Subordinated Note:** [•]
- 24 **Special Redemption Price:**
- (i) In respect of a Capital Disqualification Event redemption: [•] per Calculation Amount
- (i) In respect of a Rating Methodology Event redemption: [•] per Calculation Amount
- 25 Unmatured coupons to become void upon early redemption: [Yes/No]
- 26 **Tax Event Commencement Date:** [•]

GENERAL PROVISIONS APPLICABLE TO THE SUBORDINATED NOTES

- 27 Form of Subordinated Notes: **[Bearer Notes:**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]³
- [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]³
- [Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]³
- [Registered Notes**
- Global Note Certificate registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]
- 28 New Global Note: [Yes] [No]

³ If the Global Note is exchangeable for Definitive Notes at the option of the holder on [•] days' notice/at any time, the Notes shall be tradeable only in amounts of at least the Specified Denomination (or, if more than one Specified Denomination, the lowest Specific Denomination) specified in paragraph 6 and multiples thereof.

- 29 Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details.
Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 15(ii), 16(vi) and 18(x) relate]
- 30 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
- 31 Consolidation provisions: [Not Applicable]/[The provisions [in Condition 19 (*Further Issues*)] [annexed to these Final Terms] apply]
- 32 Other final terms: [Not Applicable/give details]
[(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

DISTRIBUTION

- 33 (i) If syndicated, names of Managers: [Not Applicable/give names, addresses and underwriting commitments]
(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)
- (ii) Stabilising Manager(s) (if any): [Not Applicable/give name]
- 34 If non-syndicated, name of Dealer: [Not Applicable/give name and address]
- 35 U.S. Selling Restrictions: [Reg. S Compliance Category [●]; TEFRA C/TEFRA D/TEFRA not applicable]
- 36 Additional selling restrictions: [Not Applicable/give details]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and admission to trading on the Regulated Market of the London Stock Exchange of the Subordinated Notes described herein pursuant to the EUR3,000,000,000 Euro Medium Term Note Programme of Standard Life plc and Standard Life Assurance Limited. *[(Relevant third party information) has been extracted from (specify source)].* [Each of the][The] Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by *(specify source)*, no facts have been omitted which would render the reproduced information inaccurate or misleading.]

RESPONSIBILITY

[Each of the][The] Issuer [and the Guarantor] accepts responsibility for the information contained in these Final Terms.

Signed on behalf of

STANDARD LIFE PLC:

By:

Duly authorised

[Signed on behalf of

STANDARD LIFE ASSURANCE LIMITED:

By:

Duly authorised]

PART B – OTHER INFORMATION

1 LISTING

- (i) Listing: [London/None]
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Subordinated Notes to be admitted to trading on the Regulated Market of the London Stock Exchange with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Subordinated Notes to be admitted to trading on the Regulated Market of the London Stock Exchange with effect from [●].] [Not Applicable]
- (Where documenting a fungible issue, need to indicate that original Subordinated Notes are already admitted to trading.)*

2 RATINGS

- Ratings: The Subordinated Notes to be issued have been rated:
- [S&P: [●]]
- [Moody's: [●]]
- [Fitch: [●]]
- [[Other]: [●]]
- [The Subordinated Notes have not specifically been rated.]
- (The above disclosure should reflect the rating allocated to Subordinated Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*
- Insert one (or more) of the following options, as applicable:*
- Option 1: CRA is (i) established in the EU and (ii) registered under the CRA Regulation:**
- [Insert legal name of particular credit rating agency entity providing rating] is established in the EU and registered under Regulation (EC) No 1060/2009.*
- Option 2: CRA is not established in the EU but the relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation:**
- [Insert legal name of particular credit rating agency entity providing rating] is not established in the EU but the rating it has given to the Subordinated Notes is endorsed by [insert legal name of credit rating agency], which is established in the EU and registered under Regulation (EC) No 1060/2009.*
- Option 3: CRA is not established in the EU and the relevant rating is not endorsed under the CRA Regulation, but the CRA is certified under the CRA Regulation:**
- [Insert legal name of particular credit rating agency entity providing rating] is not established in the EU but is certified*

under Regulation (EC) No 1060/2009.

Option 4: CRA is neither established in the EU nor certified under the CRA Regulation and the relevant rating is not endorsed under the CRA Regulation:

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EU and is not certified under Regulation (EC) No 1060/2009 (the "**CRA Regulation**") and the rating it has given to the Senior Notes is not endorsed by a credit rating agency established in the EU and registered under the CRA Regulation.

3 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

Need to include a description of any interests, including conflicting ones, that are material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

["Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Subordinated Notes has an interest material to the offer."]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

4 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) [Reasons for the offer [•]

(See ["Use of Proceeds"] wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks, will need to include those reasons here.)]

[(ii)] Estimated net proceeds: [•]

(If proceeds are intended for more than one use, will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses, state amount and sources of other funding.)

[(iii)] Estimated total expenses: [•]

[Include breakdown of expenses]

5 [Fixed Rate Notes only - YIELD]

Indication of yield: [•]

Calculated as *[include details of method of calculation in summary form]* on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 [Floating Rate Notes only – HISTORIC INTEREST RATES]

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

7 OPERATIONAL INFORMATION

ISIN Code: [•]

Common Code: [•]

Any clearing system(s) other than [Not Applicable/give name(s) and number(s)]

Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s):

Delivery:

Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s):

[•]

Names and addresses of additional Paying Agent(s) (if any):

[•]

Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes][No][Not Applicable]

[Note that the designation “yes” simply means that the Subordinated 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][*include this for registered notes*] and does not necessarily mean that the Subordinated 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.] [*Include this text if “yes” is selected, in which case the Subordinated Notes must be issued in NGN form or held under the NSS, as appropriate*]

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Conditions of the Notes to “Noteholder” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN, for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that common depositary or (as the case may be) common safekeeper.

In relation to any Tranche of Notes represented by a Global Note Certificate, references in the Conditions of the Notes to “Noteholder” are references to the person in whose name such Global Note Certificate is for the time being registered in the Register which, for so long as the Global Note Certificate is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common safekeeper or common depositary or a nominee for that depositary or common depositary or common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or Global Note Certificate (each an “**Accountholder**”) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer or the Guarantor to the bearer or registered holder of such Global Note or Global Note Certificate, respectively, and in relation to all other rights arising under the Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note or Global Note Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the Issuer or the Guarantor in respect of payments due under the Notes and such obligations of the Issuer and the Guarantor will be discharged by payment to the bearer or registered holder of the Global Note or Global Note Certificate, respectively.

Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (i) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Note; or
- (ii) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Principal Paying Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Principal Paying Agent within seven days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal

amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes (as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Trust Deed. Under the Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Permanent Global Notes

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (i) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (ii) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (i) above) or at 5.00 p.m. (London time) on such due date (in the case of (ii) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Trust Deed. Under the Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Global Note Certificates

If the relevant Final Terms specifies the form of Notes as being “Global Note Certificate exchangeable for Individual Note Certificates”, then the Notes will initially be in the form of a Global Note Certificate which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Global Note Certificate”, then if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 14 (*Events of Default*) of the Senior Notes or (in relation to exchange into Definitive Notes only) Condition 14 (*Events of Default and Enforcement*) of the Subordinated Notes (as the case may be) occurs.

Form and Exchange – Global Note Certificates

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery by or on behalf of the registered Holder of the Global Note Certificate to the Registrar or the Transfer Agent (as the case may be) of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person’s holding) against the surrender of the Global Note Certificate at the specified office of the Registrar or the Transfer Agent (as the case may be). Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar or the Transfer Agent (as the case may be) may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

- (i) Individual Note Certificates have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Note Certificate; or
- (ii) any of the Notes evidenced by the Global Note Certificate has become due and payable in accordance with the relevant Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the registered Holder of the Global Note Certificate on the due date

for payment in accordance with the terms of the Global Note Certificate, then the Global Note Certificate (including the corresponding obligation on the Register and the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (ii) above) and the Holder will have no further rights thereunder (but without prejudice to the rights which the Holder or others may have under the Trust Deed). Under the Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg (or other relevant clearing system) as being entitled to interests in the Notes will acquire against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note Certificate became void, they had been the registered Holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear, Clearstream, Luxembourg or other relevant clearing system (as the case may be).

Conditions applicable to Global Notes

Each Global Note and Global Note Certificate will contain provisions which modify the Conditions of the Notes that they represent. The following is a summary of certain of those provisions:

Payments

All payments in respect of a Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of a Global Note, the Issuer shall procure that, in respect of a CGN the payment is noted in a schedule thereto and, in respect of an NGN, the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

Payment Business Day

In the case of a Global Note, or a Global Note Certificate, if the currency of payment is euro, the applicable Payment Business Day shall be any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Record Date

Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”), where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Exercise of put option

In order to exercise the option contained in Condition 11.5 (*Redemption at the option of Noteholders*) of the Senior Notes the bearer of a Permanent Global Note must, within the period specified in such Conditions for the deposit of the relevant Senior Note and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Senior Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option

In connection with an exercise of the option contained in Condition 11.3 (*Redemption at the option of the Issuer*) of the Senior Notes or Condition 10.2 (*Redemption at the option of the Issuer*) of the Subordinated Notes in relation to some only of the Notes, a Permanent Global Note may be redeemed in

part in the principal amount specified by the Issuer in accordance with the relevant Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Meetings

The holder of a Permanent Global Note or of the Notes represented by a Global Note Certificate shall (unless such Permanent Global Note or Global Note Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

Cancellation

Cancellation of any Note represented by a Permanent Global Note that is required by the relevant Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Note.

Purchase

Notes represented by a Permanent Global Note may only be purchased by the Issuer, the Guarantor or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Trustee's powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Note Certificate.

Notices

So long as any Notes are represented by a Global Note or Global Note Certificate and such Global Note or Global Note Certificate deposited with a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system for communication by it to entitled accountholders in substitution for publication as required by the relevant Conditions or by delivery of the relevant notice to the Holder of the Global Note or Global Note Certificate, except that, so long as the Notes are admitted to the Official List of the FSA and to the London Stock Exchange plc's Regulated Market and the rules of that exchange so require, notice shall also be published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*).

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied for general purposes of the Issuer and the Guarantor and if, in respect of any particular issue, there is a particular purpose, this will be stated in the applicable Final Terms.

DESCRIPTION OF THE GROUP

General

The Issuer is a public limited company incorporated under the laws of Scotland, and is the holding company of the Group. The Group is a leading provider of long term savings and investments products, with around 6 million customers worldwide. The Group's main activities are the provision of products and services in relation to long-term insurance and savings, corporate pensions and benefits businesses, investment and fund management.

The Issuer is incorporated and registered in Scotland under the Companies Acts as a public limited company, registered number SC286832. The issued share capital of the Issuer at 31 December 2011 comprised 2,353,665,822 ordinary shares of 10 pence all of which are fully paid. This results in a total issued share capital of £235.36 million.

The Issuer's registered office is Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH, Scotland. The telephone number is +44 (0)131 225 2552.

The Group's history

The Standard Life Assurance Company ("**SLAC**") was established in 1825 and the first Standard Life Assurance Company Act was passed by Parliament in 1832. Standard Life was reincorporated as a mutual assurance company in 1925. It originally operated only through branches or agencies of the mutual company in the United Kingdom and certain other countries. Its Canadian branch was founded in 1833 and its Irish operations were founded in 1834. This largely remained the structure of the group until 1996, when it opened a branch in Frankfurt, Germany with the aim of exporting its UK life assurance and pensions operating model to capitalise on the opportunities presented by EC Directive 92/96/EEC (the "**Third Life Directive**") and offer a product range in the German market with features that local providers were unable to offer.

In the 1990s, the Group also sought to diversify its operations into areas which complemented its core life assurance and pensions business, with the intention of positioning itself as a broad range financial services provider.

In the early part of 2004, SLAC undertook a strategic review of its business. The strategic review was wide-ranging and examined the Group's business in its entirety, both in the United Kingdom and overseas, assessing the potential for a number of operational and financial improvements, but with a particular focus on UK Life and Pensions. It was also acknowledged that the Group's mutual structure, and the increased regulation to which it was subject, imposed limitations on its ability to access additional capital and could limit opportunities for planned growth and development, placing the Group at a disadvantage to insurance companies which did not have such a structure. On 10 July 2006, SLAC demutualised and Standard Life plc was floated on the London Stock Exchange and joined the FTSE 100 index.

Group strategy

The Group's strategy is to drive shareholder value through being a leading, customer-focused business concentrated on long-term savings and investment propositions.

The Group's strategic focus is to:

- build on its strength in the pension savings and corporate benefits markets;
- focus on the savings and investment needs of customers in its chosen segments;
- expand the global reach of its investment; and
- maximise the value from its joint venture relationships in.

Business of the Group

Overview

The main business areas of the Group are global investment management, Canada and International (covering Germany, Ireland, Hong Kong and joint ventures in India and China).

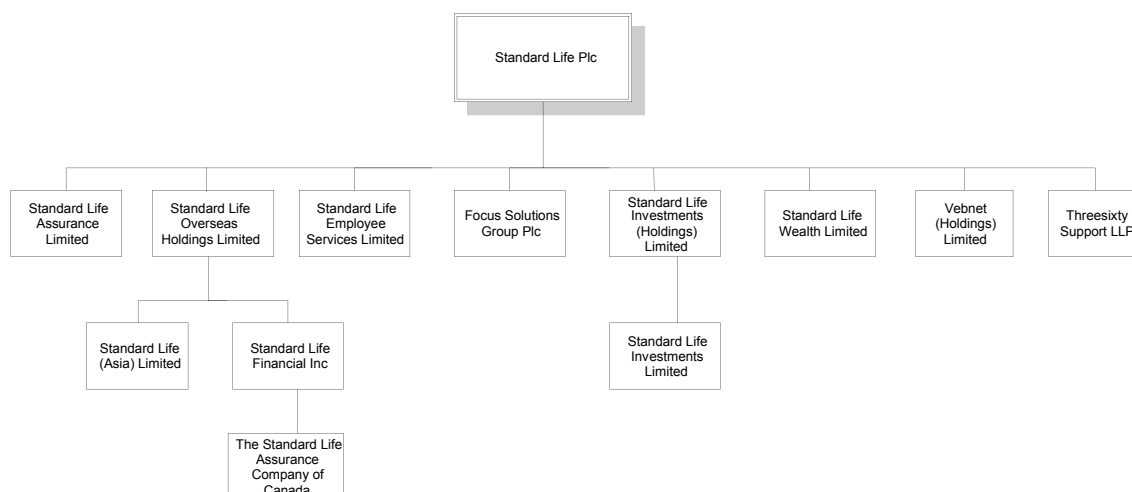
In the UK the Group is one of the largest long-term savings and investments businesses, offering solutions to both the retail and corporate markets, distributing its products directly and through intermediary channels. Across its other businesses, the Group offers a wide range of long-term savings, investments and protection propositions. Standard Life Investments competes in the group institutional investment market with the aim of providing superior investment performance and innovative propositions.

As a long-term savings and investments business, the Group's business model is to:

- increase assets under management;
- maximise revenues, lower unit costs in order to drive IFRS profits and to optimise its balance sheet.

Organisational structure

The following chart shows, in simplified form, the organisational structure of the Group as at 31 December 2011. All companies in the chart below are directly or indirectly 100 per cent. owned by the Issuer.



The Issuer's insurance and investment management operations are generally conducted through direct and indirect subsidiaries. As a holding company, the Issuer's principal sources of funds are dividends from subsidiaries, shareholder backed funds and any amounts that may be raised through the issuance of debt and commercial paper.

As at 31 December 2011, the UK business accounted for approximately 44 per cent. of the Group's total income attributable to shareholders and approximately 46 per cent. of the Group's profit before tax attributable to equity holders' profits.

Ratings

The Issuer has a financial strength rating of A- (stable) from Standard & Poor's. Whilst Moody's provide a rating on any debt issued from under the Programme, its current practice is not to provide a standalone financial strength rating for the holding company of a group. The Guarantor has an Insurance Financial Strength rating of A1 from Moody's, and a Financial Strength rating of A+ from Standard & Poor's.

Outlook

In the UK, the Group believes that it is entering a period of unprecedented change and potential for growth of its business. With the RDR less than a year away, it views its retail business as having scale and momentum and positioned to continue to drive asset growth through its platform propositions. The Group considers that the quality of its corporate pension offerings together with the opportunities created by the RDR and pensions reform for increased individual savings will help provide it with an increased flow of new business over the medium to long term.

The Group considers that:

- its business in Canada is well positioned to benefit from the ongoing shift from defined benefit to defined contribution pension provision;
- its International business will continue to benefit from the strength of its off-shore bond proposition and ongoing progress in its joint ventures, but may continue to be affected by the impact of economic uncertainty in Europe;
- the prospects for Standard Life Investments remain strong as its business is well positioned across a diversified range of asset classes and provides the investment solutions expertise which continues to allow the Group to capture a greater proportion of the platform value chain and third party assets; and
- the uncertain economic backdrop and its effect on consumer confidence have impacted new business volumes since the start of 2012 against a strong start to 2011.

However, the Group considers that there are significant opportunities in all of its chosen markets and believes that the investments it is making will lead to continued strong growth in assets, together with further improvements in efficiency, It expects to continue to drive an ongoing improvement in financial performance.

Management

Directors and Senior Management of the Issuer

The following is a list of directors and senior management of the Issuer and their principal directorships held outside the Issuer which are, or may be, significant with respect to the Issuer, as at the date of this document. The business address of the directors and the senior management referred to below is Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH, Scotland.

Name	Responsibilities in relation to the Issuer	Principal activities outside the Issuer
Gerry Grimstone	Chairman	Wilmington Capital Limited Department for Business, Innovation and Skills (Member of Shareholder Executive Board) Royal Air Force Museum (Trustee) Ministry of Defence-Defence reform steering group (Member) Ministry of Defence (Lead Non-Executive Director) Deloitte LLP (Independent Non-Executive Director)

Executive Directors

David Nish	Group Chief Executive	Association of British Insurers (Member of Board)
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Name	Responsibilities in relation to the Issuer	Principal activities outside the Issuer
Jackie Hunt	Chief Financial Officer	Association of British Insurers (Chair of Financial Regulation & Taxation Committee)
Keith Skeoch	Executive Director	Investment Management Association Reform Scotland (Member of Advisory Board) Institutional Investor Committee (Member of Advisory Council) The Financial Reporting Council (Non-Executive Director)
<i>Non-Executive Directors</i>		
Lord Blackwell	Non-Executive Director	Centre for Policy Studies Limited (Director) Interserve plc (Chairman) OFCOM (Non-Executive Board Member) Halma plc (Non-Executive Director)
Colin Buchan	Non-Executive Director	Blackrock World Mining Trust plc (Non-Executive Director) Blackrock World Mining Investment Company Limited (Non-Executive Director) The Fettes Foundation (Trustee) Environcom (Director & Non-Executive Chairman) Applecross Property Partnership LLP (Partner) The Scottish Chamber Orchestra TTT Moneycorp Limited (Chairman)
Crawford Gillies	Non-Executive Director	Control Risks Group Holdings Limited (Chairman) CG Advisory Limited (Director) Scottish Enterprise (Chairman) The Edinburgh Academy (Director) The School for CEOs (Member of Advisory Board)
David Grigson	Non-Executive Director	Creston plc (Chairman) Anobii Limited (Chairman) Ocado Group plc (Senior Independent Director) Trinity Mirror plc (Non-Executive Director)
Baroness McDonagh	Non-Executive Director	TBI (Non-Executive Director) AM Creative Limited (Director)

Name	Responsibilities in relation to the Issuer	Principal activities outside the Issuer
		Orthopaedic Research and Education Foundation (Non-Executive Director) People's Health Charity (Trustee)
Sheelagh Whittaker	Non-Executive Director	Imperial Oil Limited (Non-Executive Director)
Pierre Danon	Non-Executive Director	Cordial Consulting Limited JP Morgan Chase (Senior Adviser to GMEA Chairman & Member of JP Morgan Advisory Council) CIEL Investment Limited TDC (Telecom Denmark) (Vice Chairman) Numericable-Completel (Chairman) Volia (Executive Chairman)
John Paynter	Non-Executive Director	Jardine Lloyd Thompson Group plc (Non-Executive Director & Chairman of Audit Committee & Member of Audit & Risk Committee) Standard Chartered plc (Non-Executive Director) 110 Dragon Gardens Management Company Limited Greenhill & Co International (Senior Advisor) NSPCC-Stop Organised Abuse (Member)
Lynne Peacock	Non-Executive Director	Hawkins Residents Limited Nationwide Building Society (Non-Executive Director) Scottish Water Limited (Non-Executive Director)
Senior Management		
Sandy Begbie	Group People & Transformation Director	Scottish Government (Non-Executive Director – Audit Committee; Strategic Board) Wharton Executive Education Business School (Non-Executive Adviser)
Charles Guay	Canadian Operations	Member of Governor's Assembly
Bruce Kelsall	Group Marketing Director	Butler Pearson Limited (Director)
Paul Matthews	UK Take to Market Director	None
Nathan Parnaby	Chief Executive	None

Name	Responsibilities in relation to the Issuer	Principal activities outside the Issuer
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International

* will retire from the Board at the conclusion of the AGM on 25 May 2012

Conflicts of Interest

Jackie Hunt, Paul Matthews, David Nish and Nathan Parnaby are also on the board of directors of the Guarantor. There are no potential conflicts of interest between the duties to the Issuer of the persons listed under “Directors and Senior Management of the Issuer” above and their private interests or other duties.

DESCRIPTION OF THE GUARANTOR

General

The Guarantor is a private limited company incorporated under the laws of Scotland. It is incorporated and registered with the Registrar of Companies in Scotland under registration number SC286833. The date of incorporation was 30 June 2005. The registered office and head office of the Guarantor is at Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH, Scotland. The telephone number of its registered office and head office is +44 (0)131 225 2552.

Directors of the Guarantor

The following is a list of directors of the Guarantor and their principal directorships (if any) performed outside the Group which are, or may be, significant with respect to the Guarantor as at the date of this document. The business address of each of the directors referred to below is Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH, Scotland.

Name	Responsibilities in relation to the Guarantor	Principal activities outside the Guarantor
John Gill	Director	None
Mark Hesketh	Director	None
Jackie Hunt	Director	Association of British Insurers (Chair of Financial Regulation & Taxation Committee)
Paul Matthews	Director	None
David Nish	Director	Association of British Insurers (Member of Board)
Nathan Parnaby	Director	None

Conflicts of Interest

Jackie Hunt and David Nish are also on the board of directors of the Issuer, with Paul Matthews and Nathan Parnaby performing roles as part of the senior management team of the Issuer. There are no potential conflicts of interest between any duties to the Guarantor of the persons listed under "Directors of the Guarantor" above and their private interests and/or other duties.

TAXATION

The following comments relate only to United Kingdom withholding tax and do not deal with any other aspect of the United Kingdom taxation treatment that may be applicable to Noteholders (including, for instance, income tax, capital gains tax and corporation tax). The comments are of a general nature, are based on current United Kingdom law and HM Revenue and Customs published practice (which may not be binding on HR Revenue and Customs) and are not intended to be exhaustive.

The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser.

Any Noteholders who are in doubt as to their tax position (under the law of the United Kingdom and/or any other jurisdiction that may be relevant to such Noteholders) should consult their professional advisers.

Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and, if so, under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

UK Withholding Tax on UK-Source Interest

Notes listed on a recognised stock exchange

The Notes issued by Standard Life plc which carry a right to interest will constitute “quoted Eurobonds”, provided they are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be “listed on a recognised stock exchange” for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC 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.

The London Stock Exchange is a recognised stock exchange for these purposes and, accordingly, the Notes will constitute quoted Eurobonds, provided they are and continue to be included in the United Kingdom official list and admitted to trading on the Regulated Market of that Exchange.

In all other cases, interest will generally be paid by the Issuer under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to the availability of other exemptions or to any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty. However, this withholding will not apply if the relevant interest is paid on Notes with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more.

HMRC has issued a consultation document which, amongst other things, invites views on the proposal that deduction on account of United Kingdom income tax at the basic rate be required from payments of interest arising in the United Kingdom irrespective of whether such payments are payments of yearly interest. If this proposal is implemented, interest on Notes with a maturity of less than one year would nevertheless be subject to deduction or withholding on account of United Kingdom income tax at the basic rate, subject to the availability of other reliefs or to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

Provision of Information

Noteholders should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by Standard Life plc or any person in the United Kingdom acting on behalf of Standard Life plc (a “**paying agent**”), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a “**collecting agent**”), then Standard Life plc, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HMRC details of the payment and certain details relating to the Noteholder (including the Noteholder’s name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. In certain circumstances, the details provided to HMRC may be passed by HMRC to the tax authorities of certain other jurisdictions.

For the above purposes, “interest” should be taken, for practical purposes, as including payments made by a guarantor in respect of interest on Notes.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes which constitute “deeply discounted securities” as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (although in this regard HMRC published practice indicates that HMRC will not exercise its power to obtain information where such amounts are paid or received on or before 5 April 2013).

Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

Other Rules Relating to United Kingdom Withholding Tax

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined above.

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to “interest” above mean “interest” as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Noteholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute “interest” or “principal” as those terms are understood in United Kingdom tax law. Where a payment on a Note does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United

Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Note). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

Withholding tax on guarantee payments

If the Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes), such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.), subject to such relief as may be available following a direction by HMRC pursuant to the provisions of any applicable double taxation treaty or to any other exemption which may apply. Such payments by the Guarantor may not be eligible for the exemptions described above.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to (or for the benefit of), or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures to the Directive (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to (or for the benefit of), or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive which may, if implemented, broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to Barclays Bank PLC, Deutsche Bank AG, London Branch, HSBC Bank plc, J.P. Morgan Securities Ltd., Merrill Lynch International, The Royal Bank of Scotland plc, UBS Limited and any additional dealers that may accede to the Dealer Agreement from time to time (the “**Dealers**”). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a dealer agreement dated 10 May 2012 (the “**Dealer Agreement**”) and made between the Issuer, the Guarantor and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms, or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Notes in bearer form having a maturity of more than one year 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 United States Internal Revenue Code and regulations thereunder.

Each Dealer has represented, warranted and undertaken that, except as permitted by the Dealer Agreement, 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 the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other 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.

In addition, until 40 days after the commencement of the offering of 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.

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, warranted and undertaken 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 the Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member

State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer, the Guarantor 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, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State, and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented, warranted and undertaken that:

- (a) **Accepting deposits:** in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer or the Guarantor;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor (if applicable); and
- (c) **General compliance:** 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.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the “**Financial Instruments and Exchange Act**”). Accordingly, each Dealer has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for

re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan. As used in this paragraph, “**resident of Japan**” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

General

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantor and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s), or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed “General” above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer and the Guarantor. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

GENERAL INFORMATION

1 Listing

The admission of the Programme to trading on the London Stock Exchange is expected to take effect on 15 May 2012. The price of the Notes on the price list of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche of Notes intended to be admitted to trading on the regulated market of the London Stock Exchange will be so admitted to trading upon submission to the London Stock Exchange of the relevant Final Terms and any other information required by the London Stock Exchange, subject to the issue of the relevant Notes. Prior to admission to trading, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.

However, Notes may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the London Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as the Issuer, the Guarantor (if applicable) and the relevant Dealer(s) may agree.

2 Authorisation

The update of the Programme was authorised by a resolution of the Treasury Committee of the Board of Directors of the Issuer passed on 4 May 2012 and by a resolution of the Board of Directors of the Guarantor passed on 25 April 2012. Each of the Issuer and the Guarantor has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue, guarantee and performance of the Notes, as applicable.

3 Legal and Arbitration Proceedings

Neither the Issuer nor the Guarantor nor any of their respective subsidiaries is, nor has been, involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), during the 12 months preceding the date of this Base Prospectus which may have, or have had during the recent past, a significant effect on the financial position or profitability of the Issuer, the Guarantor or their respective Subsidiaries.

4 No Significant/Material Change

There has been no material adverse change in the prospects of the Issuer, the Guarantor and their respective Subsidiaries, nor any significant change in the financial or trading position of the Issuer, the Guarantor and their respective Subsidiaries, taken as a whole, since 31 December 2011.

5 Auditors

PricewaterhouseCoopers LLP of Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH, Scotland has audited without qualification the financial statements contained in the Annual Report and Accounts of each of the Issuer and the Guarantor for the financial years ended 31 December 2010 and 2011.

6 Documents on Display

Copies of the following documents may be inspected during normal business hours at the registered offices of the Issuer and the Guarantor for 12 months from the date of this Base Prospectus:

- (i) the memorandum and articles of association of each of the Issuer and the Guarantor;
- (ii) the audited consolidated financial statements of the Issuer for the years ended 31 December 2010 and 31 December 2011;

- (iii) the audited financial statements of the Guarantor for the years ended 31 December 2010 and 31 December 2011;
- (iv) the Agency Agreement;
- (v) the Trust Deed;
- (vi) the Dealer Agreement;
- (vii) the Programme Manual (which contains the forms of the Notes in global and definitive form);
- (viii) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within 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 will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer, the Guarantor and the Principal Paying Agent as to its holding of Notes and identity); and
- (ix) a copy of this Base Prospectus together with any Drawdown Prospectus, supplement to this Base Prospectus or further Base Prospectus.

7 Material Contracts

Neither the Issuer nor the Guarantor has entered into any contracts outside the ordinary course of its business which could result in any of the Issuer or the Guarantor or any of their respective Subsidiaries being under an obligation or entitlement that is material to the Issuer's or the Guarantor's respective obligations under any Notes to be issued pursuant to the Programme other than, with respect to any Notes, the contracts described in the relevant terms and conditions of such Notes, as applicable.

8 Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

9 Interests of the Dealers

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 their affiliates in the ordinary course of business. 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 Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

REGISTERED OFFICE OF THE ISSUER AND GUARANTOR

Standard Life plc
Standard Life House
30 Lothian Road
Edinburgh EH1 2DH

Standard Life Assurance Limited
Standard Life House
30 Lothian Road
Edinburgh EH1 2DH

ARRANGER

Barclays Bank PLC
5 The North Colonnade
London E1 4 4BB

DEALERS

Barclays Bank PLC
5 The North Colonnade
London E1 4 4BB

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

HSBC Bank plc
8 Canada Square
London E14 5HQ

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

UBS Limited
1 Finsbury Avenue
London EC2M 2PP

TRUSTEE

HSBC Corporate Trustee Company (UK) Limited
8 Canada Square
London E14 5HQ

PRINCIPAL PAYING AGENT, REGISTRAR AND TRANSFER AGENT

HSBC Bank plc
8 Canada Square
London E14 5HQ

LEGAL ADVISERS

To the Issuer as to English law

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

To the Issuer and Guarantor as to Scots law

Dundas & Wilson CS LLP
Saltire Court
20 Castle Terrace
Edinburgh EH 1 2EN

To the Dealers as to English law

Linklaters LLP
One Silk Street
London EC2Y 8HQ

To the Trustee as to English law

Linklaters LLP
One Silk Street
London EC2Y 8HQ

AUDITORS TO THE ISSUER AND THE GUARANTOR

PriceWaterhouseCoopers LLP

Erskine House
68-73 Queen Street
Edinburgh EH2 4NH