

PROSPECTUS DATED 27 February 2013



ABERDEEN ASSET MANAGEMENT PLC
(incorporated with limited liability in Scotland with registered number SC082015)

USD500,000,000

7.00 per cent. Perpetual Cumulative Capital Notes

Issue price: 100 per cent.

The USD500,000,000 7.00 per cent. Perpetual Cumulative Capital Notes (the **Capital Notes**) are issued by Aberdeen Asset Management PLC (the **Issuer**).

The Capital Notes will bear interest on their principal amount at 7.00 per cent. per annum payable quarterly in arrear on 1 March, 1 June, 1 September and 1 December in each year commencing on 1 June 2013. Coupon payments on the Capital Notes may be deferred as described under Condition 3. Such deferred interest (**Arrears of Interest**) is cumulative and interest shall accrue on such deferred interest as described in Condition 3. All Arrears of Interest in respect of the Capital Notes outstanding shall become due in full on the earliest of the circumstances set out in Condition 3.

The Capital Notes have no maturity date and will be redeemable at the option of the Issuer in whole (but not in part) on 1 March 2018 or on any Interest Payment Date thereafter at their principal amount together with any Arrears of Interest and any interest accrued to but excluding the date of redemption. The Issuer may also redeem the Capital Notes at their principal amount together with any Arrears of Interest and any interest accrued to but excluding the date of redemption in whole (but not in part) at any time prior to 1 March 2018 in the event of certain changes in certain United Kingdom tax laws or regulatory capital requirements applicable to the Issuer as described under Condition 5.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for the Capital Notes to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange plc (the **London Stock Exchange**) for the Capital Notes to be admitted to trading on the London Stock Exchange's regulated market. The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**).

The Capital 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 United States tax law requirements. The Capital Notes are being offered outside the United States by the Lead Manager in accordance with Regulation S under the Securities Act (**Regulation S**), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Capital Notes are expected to be assigned on issue a rating of BBB- by Fitch Ratings Ltd. (**Fitch**). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Fitch Ratings Ltd. is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).

The Issuer has been assigned a credit rating of A- by Fitch Ratings Ltd. Fitch Ratings Ltd. is established in the European Union and is registered under the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and maybe subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Capital Notes will be in bearer form and in the denominations of USD200,000 and integral multiples of USD1,000 thereof up to and including USD399,000. The Capital Notes will initially be represented by a temporary global note (the **Temporary Global Note**), without interest coupons, which will be deposited on or about 1 March 2013 (the **Closing Date**) with a common depository for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without interest coupons, on or after 10 April 2013 upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive capital notes only in certain limited circumstances - see "*Overview of Provisions relating to the Capital Notes while represented by the Global Notes*".

An investment in the Capital Notes involves certain risks. Prospective investors should have regard to the factors described under the heading "Risk Factors" on page 11.

MERRILL LYNCH INTERNATIONAL

Sole Structuring Advisor and Lead Manager

The date of this Prospectus is 27 February 2013

This Prospectus comprises a prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the **Prospectus Directive**). The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Third-party information derived from the preliminary month end figures released on 12 February 2013 by Artio Global Investors Inc. has been used in this Prospectus (see "*Description of the Issuer – Recent Developments*"). The Issuer confirms that this information has been accurately reproduced, and as far as the Issuer is aware and able to ascertain from such information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Issuer, having made all reasonable enquiries, confirms that this Prospectus contains all material information with respect to the Issuer and the Capital Notes (including all information which, according to the particular nature of the Issuer and of the Capital Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Capital Notes), that the information contained or incorporated in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Prospectus are honestly held and that there are no other facts the omission of which would make this Prospectus or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

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

Neither the Lead Manager (as described under "*Subscription and Sale*", below) nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Lead Manager or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Capital Notes. Neither the Lead Manager nor the Trustee accept any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the offering of the Capital Notes or their distribution.

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

Neither this Prospectus nor any other information supplied in connection with the offering of the Capital Notes should be considered as a recommendation by the Issuer, the Lead Manager or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the offering of the Capital Notes should purchase any Capital Notes. Each investor contemplating purchasing any Capital Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Capital Notes constitutes an offer or invitation by or on behalf of the Issuer, the Lead Manager or the Trustee to any person to subscribe for or to purchase any Capital Notes.

Without prejudice to the Issuer's obligations under the Disclosure Rules and Transparency Rules of the FSA or the rules of the London Stock Exchange, neither the delivery of this Prospectus nor the offering, sale or delivery of the Capital Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information

supplied in connection with the Offering of the Capital Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Lead Manager and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Capital Notes or to advise any investor in the Capital Notes of any information coming to their attention. The Capital 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, the Capital Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Capital Notes and on distribution of this document, see "*Subscription and Sale*" below.

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

The Capital Notes may not be a suitable investment for all investors. Each potential investor in the Capital 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 Capital Notes, the merits and risks of investing in the Capital Notes and the information contained or incorporated by reference in this 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 Capital Notes and the impact the Capital Notes 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 Capital Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Capital Notes and be familiar with the behaviour of any relevant 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.

The Capital Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial

instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Capital Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Capital Notes will perform under changing conditions, the resulting effects on the value of the Capital Notes and the impact this investment will have on the potential investor's overall investment portfolio.

IN CONNECTION WITH THE ISSUE OF THE CAPITAL NOTES, MERRILL LYNCH INTERNATIONAL AS STABILISING MANAGER (THE STABILISING MANAGER) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE CAPITAL NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE 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 CAPITAL 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 CAPITAL NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE CAPITAL NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

All references in this document to **US dollar, U.S. dollars, US dollars, USD and dollars** refer to the currency of the United States of America and references to **Sterling, GBP and £** refer to the currency of the United Kingdom.

CONTENTS

	Page
Overview	6
Risk Factors	11
Documents Incorporated by Reference	23
Conditions of the Capital Notes	24
Overview of Provisions relating to the Capital Notes while represented by the Global Notes	37
Use of Proceeds	38
Description of the Issuer	39
Regulatory Environment	46
Taxation	52
Subscription and Sale	56
General Information	59

OVERVIEW

Words and expressions defined in "*Conditions of the Capital Notes*" shall have the same meanings in this Overview.

Issuer:	Aberdeen Asset Management PLC
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Capital Notes. In addition, there are certain factors that are material for purposes of assessing the risks associated with the Capital Notes. These factors are set out under " <i>Risk Factors</i> " below.
Description of Capital Notes:	USD500,000,000 7.00 per cent. Perpetual Cumulative Capital Notes (the Capital Notes), to be issued by the Issuer on 1 March 2013 (the Issue Date).
Trustee:	Citicorp Trustee Company Limited
Lead Manager:	Merrill Lynch International
Status and Subordination of the Capital Notes:	<p>The Capital Notes and any relative Coupons will constitute direct, unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> without preference among themselves.</p> <p>In the event of a winding-up, liquidation or dissolution of the Issuer, the obligations of the Issuer in respect of the Capital Notes are subordinated in right of payment to the claims of all Senior Creditors.</p> <p>Senior Creditors means any unsubordinated creditor of the Issuer.</p>
Interest:	7.00 per cent. per annum, payable quarterly in arrear on 1 March, 1 June, 1 September and 1 December in each year commencing on 1 June 2013, unless the Issuer elects in its sole discretion to defer payment of such interest in whole or in part.
Deferral:	<p>If the Issuer elects to defer any payment of interest in whole or in part, the amount of interest so deferred shall not fall due for payment on the relevant Interest Payment Date. Any non-payment of such deferred interest on such Interest Payment Date shall not constitute a default under the Capital Notes for any purpose.</p> <p>Interest shall accrue on such deferred interest, at the interest rate prevailing on the Capital Notes as provided in Condition 3. For so long as any interest remains unpaid, any deferred interest and interest thereon shall constitute Arrears of Interest.</p>

All Arrears of Interest in respect of the Capital Notes outstanding shall become due in full on the earliest of:

- (i) the fifth Business Day in London following the occurrence of a Mandatory Payment Event (as defined in Condition 3);
- (ii) the next Interest Payment Date on which any amount of interest is paid in respect of the Capital Notes;
- (iii) the date set for any redemption pursuant to Conditions 5.2, 5.3 or 5.4 or on which the Capital Notes are purchased for cancellation by or on behalf of the Issuer or any entity directly or indirectly controlled by the Issuer; or
- (iv) the commencement of the winding up, liquidation or dissolution of the Issuer (except, in any such case, a solvent winding-up solely for the purpose of a reconstruction or amalgamation, the terms of which reconstruction or amalgamation have previously been approved in writing by the Trustee or by an Extraordinary Resolution).

No Maturity Date

The Capital Notes have no final maturity date.

Early Redemption at the Option of the Issuer

Subject to Condition 5.7, the Issuer may redeem the Capital Notes (in whole but not in part) on the First Call Date or on any Interest Payment Date thereafter at their principal amount together with any Arrears of Interest and any interest accrued to but excluding the date of redemption.

First Call Date means 1 March 2018.

Early Redemption due to a Tax Event

Subject to Condition 5.7, upon the occurrence of a Tax Event, the Issuer may redeem the Capital Notes (in whole but not in part) at any time prior to the First Call Date at their principal amount together with any Arrears of Interest and any interest accrued to but excluding the date of redemption.

Tax Event means an event where the Issuer determines that as a result of a Tax Change in Law either (i) in making any interest payments on the Capital Notes, it has paid, or will or would on the next Interest Payment Date be required to pay, additional amounts in accordance with Condition 6, or (ii) in respect of the Issuer's obligation to pay any interest payment on the next following Interest Payment Date, there is a substantial risk that the Issuer would not be entitled to claim a deduction in respect thereof when computing its taxation liabilities in the United Kingdom, or such

entitlement is materially reduced, and in any such case, such requirement or circumstance cannot be avoided by the Issuer taking reasonable measures available to it and (to the extent required by applicable law and regulations) the circumstance giving rise to such events was not (in the opinion of the Issuer) reasonably foreseeable at the Issue Date; and

For the purposes of the definition of Tax Event a **Tax Change in Law** means a 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 (including any treaty to which the United Kingdom is a party), or any change in the application of or official or generally published interpretation of those laws or regulations, including the 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, which change or amendment becomes, or would become, effective on or after 27 February 2013. For the purpose of this definition, any changes to the draft tax legislation published on 26 October 2012 and 5 December 2012 (and intended to be effective from 26 October 2012) relating to tier 2 issuances shall each be regarded as a Tax Change in Law.

Early Redemption due to a Regulatory Event

Subject to Condition 5.7, if a Regulatory Event occurs and is continuing, the Issuer may redeem the Capital Notes (in whole but not in part) at any time prior to the First Call Date at their principal amount together with any Arrears of Interest and any interest accrued to but excluding the date of redemption.

A **Regulatory Event** is deemed to have occurred if as a result of a change in law or regulation (or in the official interpretation thereof) applicable to the Capital Notes occurring after 27 February 2013 including, amongst other things (but not limited to), as a result of amendments to capital regulations to give effect to Basel III and/or CRD IV (all as defined in the Conditions), the whole of the outstanding principal amount of the Capital Notes would not be eligible in full to form part of the capital resources of the Issuer under applicable capital regulations (save where such failure to be so eligible is solely a result of any applicable limitation on the amount of such capital) and (to the extent required by applicable law and regulations) the circumstance giving rise to such events was not (in the opinion of the Issuer) reasonably foreseeable at the Issue Date.

Events of Default:

If default is made in the payment of any principal or interest due in respect of the Capital Notes or any of them and such default continues for a period of 14 days or more, in any case after the due date (such event, an **Event of Default**), the Trustee may, notwithstanding the provisions of Condition 9, institute proceedings for the winding-up, liquidation or dissolution in Scotland (but not elsewhere) of the Issuer and, in the event of proceedings being initiated for the winding-up, liquidation or dissolution of the Issuer, the Trustee may prove in such proceedings for such amounts as further described in Condition 2.

Meetings of Holders:

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of the Conditions or any of the provisions of the Trust Deed. An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting, and on all Couponholders. In addition, a resolution in writing signed by or on behalf of 75 per cent. of Holders who for the time being are entitled to receive notice of a meeting of Holders under the Trust Deed will take effect as if it were an Extraordinary Resolution.

Modification and Waiver:

Notwithstanding any other provision of the Conditions, the Trustee may agree, without the consent of the Holders or Couponholders, to any modification (subject to certain exceptions) of, or to any waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders or to any modification which is of a formal, minor or technical nature or to correct a manifest error or to comply with the mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

Withholding Tax and Additional Amounts:

The Issuer will pay such additional amounts as may be necessary in order that the net payment received by each Holder in respect of the Capital Notes, after withholding for any taxes imposed by tax authorities in the United Kingdom upon payments made by or on behalf of the Issuer in respect of the Capital Notes, will equal the amount which would have been received in the absence of any such withholding taxes, subject to customary exceptions, as described in Condition 6 of the Conditions.

All payments in respect of the Capital Notes will be made subject to any withholding or deduction required pursuant to fiscal and other laws, as provided in Condition 4.

Listing and admission to trading:	Application has been made to the UK Listing Authority for the Capital Notes to be admitted to the Official List and to the London Stock Exchange for the Capital Notes to be admitted to trading on the London Stock Exchange's regulated market.
Governing Law:	The Capital Notes and any non-contractual obligations arising out of or in connection with the Capital Notes will be governed by, and construed in accordance with, English law.
Form:	The Capital Notes will be issued in bearer form in denominations of USD200,000 and integral multiples of USD1,000 thereof up to and including USD399,000.
Credit Ratings:	<p>The Capital Notes are expected to be assigned on issue a rating of BBB- by Fitch Ratings Ltd.. A credit 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.</p> <p>Fitch Ratings Ltd. is established in the European Union and is registered under the CRA Regulation.</p>
Selling Restrictions:	The Capital Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Capital Notes may be sold in other jurisdictions (including Hong Kong, Singapore and the United Kingdom) only in compliance with applicable laws and regulations. See " <i>Subscription and Sale</i> " below.
Use of Proceeds:	The net proceeds of the issue of the Capital Notes will be applied by the Issuer to repay existing subordinated indebtedness and for its general corporate purposes.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Capital Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Capital Notes are described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Capital Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Capital Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under the Capital Notes

The general global economic conditions in which the Group operates may change in such a way as to have a material adverse effect on the Group

The business of the Issuer and its subsidiaries (the **Group**) are subject to inherent risks arising from general and sector specific economic conditions in the global markets in which they operate. Adverse developments in the global financial markets and a deterioration of general economic conditions could adversely affect the Group's financial performance and could cause its profitability to decline.

As the global economy continues to struggle in the wake of the financial crisis, the investment industry has faced several broad challenges. These include ultra-low interest rates, increased market volatility, risk aversion and tighter regulation. Asset prices have been fluctuating in recent years and despite an improbable recovery through the early months of 2013 they remain difficult to predict. Continuing concerns about the European debt crisis and the continent's deteriorating underlying fiscal position have created a lack of confidence among consumers, companies and governments and continues to affect profits at many large global and UK commercial banks, investment banks, asset and fund managers, insurance companies and other financial and related institutions.

A general deterioration in the UK or other major economies throughout the world, including, but not limited to, business and consumer confidence, the state of the housing market, the commercial real estate sector, equity markets, bond markets, foreign exchange markets, counterparty risk, inflation, the availability and cost of credit, lower transaction volumes in key markets, the liquidity of the global financial markets and market interest rates, could reduce the level of demand for, and supply of, the Group's products and services.

The exact nature of the risks faced by the Group is difficult to guard against in view of the unpredictability of global markets, concerns over European and US sovereign debt and the fact that many of the related risks to the business are totally or in part outside of the control of the Group.

The Group may not be able to attract or retain key employees which may have a material adverse effect on its business, results or operations, financial condition, performance or prospects

The success of the Group depends, *inter alia*, upon the support and experience of its employees and, in particular, senior management and fund managers. The loss of key employees (particularly senior management and investment personnel) from the Group could have a material adverse effect on its results or operations, financial condition, performance or prospects. The future success of the Group both in the UK and the other jurisdictions where it operates will depend upon its ability to attract and retain such highly

skilled and qualified personnel. The failure to attract or retain sufficient numbers of personnel could seriously impede the Group's financial plans and other objectives.

The results of operations, financial performance and prospects are subject to change as a result of fluctuations in financial markets

The income of the Group is subject to change as a result of fluctuations in the financial markets in which it operates (including changes in, and increased volatility of, interest rates, inflation rates, credit spreads, foreign exchange rates, commodity, equity, bond and property prices and the risk that clients of underlying funds act in a manner which is inconsistent with business pricing and hedging assumptions) which directly affect the level of funds under management and which may adversely affect the Group's performance. Equity and bond markets have been extremely volatile over recent times. A sustained fall in equity and/or bond markets or in interest or exchange rates, particularly in regions where the Group has significant exposure, would reduce the Group's revenue and significantly diminish its prospects of obtaining new funds to manage.

Changes in exchange rates affect the value of assets and liabilities denominated in non-sterling currencies and may affect earnings reported by the Group and use of hedging techniques may not be possible or effective

Changes in exchange rates affect the value of assets and liabilities denominated in non-sterling currencies and may affect earnings reported by the Group. A significant proportion of the Group's turnover is and will be generated overseas and denominated in local currencies and, because the Group's reporting currency is and will be sterling, the fluctuations between local currencies, particularly the US dollar and the euro, and sterling may have an adverse effect on the Group's performance. It is difficult to predict with any accuracy changes in economic or market conditions, and such changes could have a material adverse effect on the Group.

Although the Issuer does not currently make use of hedging techniques and derivative instruments, it may in future seek to minimise the Group's exposure to currency fluctuations through the use of such techniques and instruments but it may not be possible or practicable to hedge against consequential currency exposure. The Group would also be exposed to the credit risk of the counterparties with respect to payments under derivative instruments. Failure by a counterparty to make payments due under a derivative instrument would reduce the Group's income and results. There can be no guarantee that suitable instruments for hedging will be available or on terms acceptable to the Group at times when the Group wishes to use them. In any event, hedging may not be effective in eliminating all of the risks inherent in currency fluctuations.

The Group's operations are subject to financial regulations and legislation which may be subject to change

The Group's operations are subject to financial regulations in each of the jurisdictions in which it operates. The Group conducts its businesses subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in the UK and the other markets where it operates.

Although the Group has processes and controls in place to manage legal and regulatory risks, failure to manage such risks properly may impact the Group adversely or result in administrative actions, penalties or other proceedings or sanctions involving the Group which may have a material adverse effect on the Group's businesses, reputation, relations with its customers, its financial condition, results of operations, prospects and ultimately on the value of the Capital Notes. Negative publicity in respect of the Group could also potentially result in regulators subjecting the Group's business to closer scrutiny than would otherwise be the case, which in turn may result in higher costs or sanctions or fines.

In addition, a failure to comply with applicable laws or regulations by the Group's employees, representatives, agents and third party service providers, either in or outside the course of their employment or services, or suspected or perceived failures by them, may result in enquiries or investigations by regulatory and enforcement authorities, or in regulatory or enforcement action against the Group or such employees, representatives, agents and third party service providers in various jurisdictions. Such actions may adversely impact the reputation of the Issuer or the Group, result in adverse media reports, lead to increased levels of scrutiny by relevant regulatory or supervisory bodies, additional costs, penalties, claims and expenses being incurred by the Group and, as a result, have a material adverse effect on the Group's ability to conduct its business, its financial condition, results of operations and prospects.

The Group is subject to the risks inherent in all regulated financial businesses in the UK of having insufficient resources to meet the minimum regulatory capital requirements. The Group's lead supervisor, the FSA, determines the minimum level of capital that the Group is required to hold by reference to its balance sheet, off-balance sheet, counterparty and risk exposures. Currently, the Group is well capitalised by the standards set out under the Capital Requirements Directive, adopted by the European Union in 2007 and would expect to remain so. However, the FSA, or the Financial Conduct Authority (the **FCA**) which will assume the responsibilities of the FSA as the lead regulator of the Group later this year, could apply additional requirements in determining the required capital for the Group and any of its UK regulated firms. In addition drafts of both the amendments to the Capital Requirements Directive (known as **CRD IV**) and the application of an EU regulation (known as **CRR**) directly in each member state have been released by the European Commission. These are not yet published in final form but propose that CRD IV and CRR shall apply to "investment firms" and shall therefore be applicable to the Group. The draft proposals include a tightening of the criteria for components to be recognised as regulatory capital and a simplification of the definition of capital, particularly a removal of the current upper and lower sub classifications for Tier 2 capital instruments and the abolition of the category relating to Tier 3 capital instruments. If for any reason regulatory capital requirements increase in the future, the Group may have to raise capital and liquidity or take other actions to ensure compliance.

The transfer of prudential and regulatory supervision from the FSA to the FCA may lead to a period of uncertainty for members of the Group as the new regulatory body could adopt a different approach to supervision.

As a result of the recent interventions by governments in response to global economic conditions, it is widely expected that there will be a substantial increase in government regulation and supervision of the financial services industry, including the possibility of higher capital requirements, restrictions on certain types of transaction structure, and enhanced supervisory powers. The impact of the Alternative Investment Fund Managers Directive whose detailed implementation requirements remain subject to consultation at European and UK level and the full impact of the Retail Distribution Review which came into force at the beginning of this year (and which may affect the business models of the Group's distribution channels), are each yet to be ascertained though the Group has made early preparations to minimise any potential operational and financial effects of these new regulations. Future changes in regulation, fiscal or other policies are unpredictable and beyond the control of the Group and alterations to the regulatory requirements in any other jurisdiction may also adversely affect the Group's performance. In addition, regulators are increasingly interested in the approach that product providers use to select third party distributors and to monitor the appropriateness of sales made by them. In some cases, product providers can be held responsible for the deficiencies of third-party distributors. Any breach of relevant regulatory requirements may result in regulatory sanction.

In March 2010, the United States passed legislation that would require non-United States financial institutions to provide information on United States account holders (see "*Taxation – Foreign Account Tax Compliance Act*"). At this time, it is not possible to quantify the costs of complying with the new legislation as the final rules are still to be determined.

The interpretation and application of decrees and legislative acts can be often contradictory and uncertain particularly in less developed regions. Legislation could be imposed retrospectively or may be issued in the form of internal regulations which the public may not be made aware of. Judicial independence and political neutrality cannot be guaranteed. State bodies and judges may not adhere to the requirements of the law and the relevant contract. State bodies may be relatively more unpredictable and it may not be possible to mitigate against losses associated with the effects of expropriation, nationalisation and having assets confiscated. In addition, it may not be possible to predict and mitigate against losses associated with changes in the law relating to the level of foreign ownership.

Litigation risk

The extent and complexity of the legal and regulatory environment in which the Group operates and the products and services it offers means that many aspects of the Group's business involve substantial risks of liability. There have been an increasing number of incidents of litigation involving the financial services industry and any litigation brought in the future could have a material adverse effect on the Group. The Group's insurance policies may not necessarily cover claims that investors or others have brought or may bring against it or may not be adequate to protect it against all liability that may be imposed, which lack of cover or insufficiency could have a material adverse effect on its financial condition, results of operations and prospects.

The Group could experience losses as a result of political or economic instability or terrorist activities, acts or even natural disasters, geopolitical, pandemic or such other events

Political, economical instability, terrorist acts, other acts of war or hostility, natural disasters, geopolitical, pandemic or other such events and responses to those acts/events, may create economic and political uncertainties, which could have a negative impact on UK and international economic conditions generally, and more specifically on the business and results of the Group in ways that cannot necessarily be predicted.

Economic and/or political instability, including arising from the exit of the UK from the EU or the exit of any member country from the euro, could lead to legal, fiscal and regulatory changes or the reversal of legal, fiscal, regulatory or market reforms.

The negative impact of such instability would be more severe if such events or responses occurred in regions where the Group is established or has a significant investment exposure.

Reputational risk

The Group's reputation is one of its most important assets. Its relationships with institutional investors and other significant market participants are very important to its business, since it operates in an industry where integrity and the trust and confidence of clients are of critical importance. Negative publicity (whether or not justified) associated with the Group or any of its funds or products could result in a loss of clients and/or mandates. Damage to the Group's reputation as a result of these or other factors could have a material adverse effect on its business operations and/or financial condition.

Tax risk

Tax risk is the risk associated with changes in taxation rates or law, or misinterpretation of the law. This could result in increased charges or financial loss. Failure to manage this risk adequately could impact the Group materially and adversely.

Changes in tax legislation can affect investment behaviour, making investment generally, and specific kinds of investment products in particular either more or less attractive. Amendments to existing legislation (particularly if there is a withdrawal of any available tax relief or an increase in tax rates) or the introduction of new rules may affect the decisions of either existing or potential clients. Changes from time to time in the

interpretation of existing tax laws, amendments to existing tax rates, or the introduction of new tax legislation could all have a material adverse effect on the Group's financial condition and results of operations.

Credit worthiness of and payments by market counterparties and custodians and "systemic risk"

The Group may from time to time have exposure to market counterparties whose credit worthiness or perceived credit worthiness is deteriorating as a consequence of deterioration of the value of underlying assets. Although the Group tries to limit and manage direct exposure to market counterparties, indirect exposure may exist through other financial arrangements.

The Group will be exposed to the credit risk of third party custodians with respect to the segregation and non-restitution of assets, particularly in markets where custodial and/or settlement systems are not fully developed.

Within the financial services industry the default of any institution or corporate could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely correlated as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms, other financial institutions and exchanges with whom the Group interacts on a daily basis, which could have an adverse effect on the Group's ability to raise new funding and have a material adverse effect on the Group's business, its financial condition, results of operations and prospects.

The Group has loan facilities which in future may not be available on current terms and are subject to risk of default

Notwithstanding that credit and working capital facilities made available by Lloyds Banking Group (**Lloyds**) and Barclays Capital (**Barclays**) to the Group are currently unutilised, the Group's facility arrangements contain financial covenants and the consequences for the Group of breaching such covenants would be serious. Lloyds and Barclays would no longer be required to advance amounts available under the facilities and any amounts outstanding at the time of any such breach may become immediately due and payable by the Group. In such circumstances, the Group may become obliged to sell its assets on unfavourable terms to repay its debts, which would have a detrimental effect on the Group's operations and earnings. Any such default may also trigger a cross-default under other existing financing arrangements. There is, however, no expectation on the part of the Issuer that it or any member of the Group will breach any of its financial covenants in the next 12 months. The facilities with Lloyds and Barclays are currently available until July 2014.

The current global credit market conditions mean financial institutions are applying more stringent lending criteria and the availability of debt is low by historical comparison, which may mean it will be more costly for the Group to renew its borrowings at the present time or in the future. There can be no assurance that the Group will be able to obtain new finance on competitive terms or at all following July 2014 and therefore it may suffer a loss as a result of having to refinance and/or dispose of assets which cannot be refinanced either at a time which is not of the Group's own volition or at all and/or at a price which does not reflect the full value of the asset.

Worsening of credit rating of lenders and increased costs

In the current market conditions and due to liquidity concerns, certain lenders are experiencing credit rating downgrades and are finding it difficult to meet their existing lending commitments. If a lender were unable to meet its obligations to advance sums to the Group, the Group may be obliged to seek alternative funding

at a time not of its own volition and such funding may be more costly and may be more difficult or impossible to obtain. A credit rating downgrade may also result in a bank being unable to provide the Group with acceptable bank guarantee arrangements which could constrain the Group's operations.

It may also be that lenders generally, or certain lenders to the Group in particular, experience higher costs themselves in obtaining funding which they may seek to pass on to the Group which would increase the Group's debt finance costs.

Cross-default provisions could result in a substantial loss

Certain of the financing arrangements of the Group contain cross-default provisions such that a default under one financing arrangement could trigger defaults under other financing arrangements. Such cross-default provisions could therefore magnify the effect of an individual default and, if the debt outstanding under such financing arrangements were accelerated, result in a substantial loss for the Group and ultimately result in a decline in the value of the Capital Notes.

There can be no assurance that the growth or historical performance that the Group has experienced will continue

There can be no assurance that the growth or historical performance that the Group has experienced will continue. If the Group's investment performance is unsatisfactory or if it breaches the terms of any investment mandates, existing clients may decide to reduce or liquidate their investments with Aberdeen or transfer mandates to other asset managers. If the Group's investment performance were to remain unsatisfactory for a prolonged period it could lead to a significant fall in investment management fee income and the Group might be unable to win new asset management business. Furthermore, many of the Group's performance fee arrangements are based on relative or absolute performance hurdles and, if investment performance is weak, then performance fees may be significantly lower. Performance fees are generally payable to the Group on an annual basis by its funds or clients. The performance hurdles are typically set by reference to the asset value of the fund or portfolio and sometimes have high water-marks. As a result, performance fees are subject to market volatility, which may lead to volatility in the Group's profitability. Investment underperformance could have a material adverse effect on the Group's business, sales, growth prospects, results of operations and/or financial condition.

Any interruption of the services of third parties or deterioration in the performance of third parties could impair the timing and quality of the Group's services

The Group relies, through its outsourcing arrangements, on various third party providers of investment administration, IT and other back office functions. Any interruption in the services of these third parties or deterioration in their performance could impair the timing and quality of the Group's service. Furthermore, if the contracts with any of these third party providers are terminated, the Group may not find alternative outsource providers on a timely basis or on equivalent terms. The occurrence of any of these events could harm the Group's ability to conduct business as well as its relationships with its business partners and customers and, consequently, could have a material adverse effect on the Group's business, growth prospects, sales, results of operations and/or financial condition. This could also lead to regulatory intervention or adverse capital requirements.

Factors which are material for the purpose of assessing the market risks associated with the Capital Notes

Impact of Basel Committee reforms on subordinated debt – Loss absorbency at the point of non-viability and statutory loss absorption

On 16 December 2010 and on 13 January 2011, the Basel Committee issued its final guidance on the eligibility criteria for Tier 1 and Tier 2 capital instruments as part of a package of new capital and liquidity

requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions (**Basel III**).

In the European Union, Basel III will be reflected by amendments to the Capital Requirements Directive (known as **CRD IV**) and the application of an EU regulation (known as **CRR**) directly in each member state. Drafts of CRD IV and CRR have been released by the European Commission but are not yet published in final form. Such drafts propose that CRD IV and CRR shall apply to "investment firms" and shall therefore be applicable to the Group.

The Basel Committee's press release dated 13 January 2011 entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" (the **January 2011 press release**) included an additional Basel III requirement (the **Basel III Non-Viability Requirement**) as follows:

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

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

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

The January 2011 Press Release states that instruments issued after 1 January 2013 must meet these requirements in order to be recognised as Tier 1 or Tier 2 capital instruments for regulatory capital purposes. The recognition of instruments issued before 1 January 2013 which do not meet these requirements will be phased out from 1 January 2013.

The powers provided to resolution authorities in the draft EU-wide framework for the recovery and resolution of credit institutions and investment firms (known as the "Crisis Management Directive" or **CMD**) include write-down powers to ensure relevant capital instruments (including Tier 2 capital instruments such as the Capital Notes) fully absorb losses at the point of non-viability of the issuing institution. Accordingly, the draft CMD contemplates that resolution authorities will be required to write-down such capital instruments in full on a permanent basis or convert them into common equity tier 1 instruments at the point of non-viability (which common equity tier 1 instruments may also be subject to any application of the bail-in tool) and before any other resolution action is taken (the **CMD Loss Absorption Requirement**).

For the purposes of the CMD Loss Absorption Requirement, the point of non-viability under the draft CMD is the point at which the appropriate resolution authority determines that the institution meets the conditions for resolution or will no longer be viable unless the relevant capital instruments are written down or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution would no longer be viable.

The draft CMD contemplates that it shall apply to "investment firms" and shall therefore be applicable to the Group and that it will be implemented in Member States with effect from 1 January 2015.

The draft CMD currently represents the only official proposal for the implementation in the European Economic Areas of the Basel III Non-Viability Requirement.

No official statement has yet been made whether there will be any implementation of the Basel III Non-Viability Requirement in the European Economic Area generally or by any Member State pending implementation of the CMD Loss Absorption Requirement in 2015.

It is currently unclear whether the CMD Loss Absorption Requirement, when implemented, will apply to capital instruments (such as the Capital Notes) that are already in issue at that time of implementation or whether certain grandfathering rules will apply. If and to the extent that the draft CMD is implemented retrospectively so as to apply to the Capital Notes, the Capital Notes will be subject to the provisions of the CMD (including the CMD Loss Absorption Requirement). Capital Notes may be subject to write-down or conversion to common equity tier 1 instruments upon the occurrence of the relevant trigger event, which may result in Holders losing some or all of their investment. The exercise of any such power or any suggestion or anticipation of such exercise could, therefore, materially adversely affect the value of the Capital Notes.

In addition to the CMD Loss Absorption Requirement, the draft CMD provides resolution authorities with broader powers to implement other resolution measures with respect to distressed institutions, which may include (without limitation) the replacement or substitution of the Issuer as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments.

The draft CMD is not in final form and changes may be made to it in the course of the legislative process. In addition, as noted above, it is unclear whether the Basel III Non-Viability Requirement could be applied in respect of the Capital Notes ahead of implementation of the CMD. Accordingly, it is not yet possible to assess the full impact of the relevant loss absorption provisions. Once implemented, the fact of applicable loss absorption provisions or the taking of any actions by the European Union and/or the authorities in the UK may implement the package of reforms, including the terms which capital securities are required to have, in a manner that is different from that which is currently envisaged, or may impose more onerous requirements on UK institutions. Until fully implemented, the Issuer cannot predict the precise effects of the changes that result from any proposed Basel III reforms on both its own financial performance and/or the pricing of the Capital Notes.

The Issuer's obligations under the Capital Notes are subordinated

The Issuer's obligations under the Capital Notes will be unsecured and subordinated and will rank junior in priority of payment to Senior Creditors. **Senior Creditors** means any unsubordinated creditor of the Issuer. Although the Capital Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a real risk that an investor in the Capital Notes will lose all or some of his investment should the Issuer become insolvent.

Under certain conditions, interest payments under the Capital Notes may be deferred

The Issuer may defer the payment of interest on the Capital Notes on any Interest Payment Date.

In no event will Holders of Capital Notes be able to accelerate their Capital Notes as a result of such deferral; such Holders will have claims only for amounts then due and payable on their Capital Notes. After the Issuer has fully paid all deferred interest (and interest accrued on such deferred interest) on the Capital Notes and if Capital Notes remain outstanding, future interest payments on the Capital Notes will be subject to further deferral as described above.

Any deferral of interest payments will likely have an adverse effect on the market price of the Capital Notes. In addition, as a result of the interest deferral provision of the Capital Notes, the market price of the Capital Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Restricted remedy for non-payment

The sole remedy against the Issuer available to the Trustee to recover any amounts owing in respect of the principal amount of, or interest on, the Capital Notes will be to institute (or prove in) proceedings for the winding-up, liquidation or dissolution in Scotland (but not elsewhere) of the Issuer. See Condition 8.

The Capital Notes are subject to redemption by the Issuer

The Issuer is under no obligation to redeem the Capital Notes at any time and the Holders have no right to call for their redemption. Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Capital Notes indefinitely.

The Issuer may redeem all outstanding Capital Notes in the event of a Tax Event or a Regulatory Event (each as defined in the Conditions).

In addition, the Capital Notes contain an optional redemption feature, which is likely to limit their market value. During any period when the Issuer may elect to redeem the Capital Notes, the market value of the Capital Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Capital Notes when its cost of borrowing is lower than the interest rate on the Capital Notes. At those times, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Capital Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

No limitation on issuing pari passu or senior securities

There is no restriction on the amount of securities which the Issuer may issue which rank senior to or pari passu with the Capital Notes. The issue of any such securities may reduce the amount recoverable by Holders on a winding-up of the Issuer and/or may increase the likelihood of a deferral of interest payments under the Capital Notes.

Risks related to the Capital Notes generally

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

Modification and waiver

The Conditions contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Holders, agree to any modification (subject to certain exceptions) of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or determine that any Event of Default or Potential Event of Default shall not be treated as such.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

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

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

U.S. Foreign Account Tax Compliance withholding may affect payments on the Capital Notes

The U.S. "Foreign Account Tax Compliance Act" (or "FATCA") imposes a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. The Issuer may be classified as a financial institution for these purposes. If an amount in respect of such withholding tax were to be deducted or withheld from interest, principal or other payments made in respect of the Capital Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Capital Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act.*"

Change of law

The Conditions are based on English law in effect as at the date of this Prospectus. 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 this Prospectus.

Because the Capital Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

The Capital Notes will be represented by the Global Notes and will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive capital notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Capital Notes are represented by Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Capital Notes by making payments to or to the order of the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and

Clearstream, Luxembourg to receive payments under the Capital Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Denominations involve integral multiples: definitive capital notes

The Capital Notes have denominations consisting of a minimum of USD200,000 plus one or more higher integral multiples of USD1,000. It is possible that the Capital Notes may be traded in amounts that are not integral multiples of USD200,000. In such a case a Holder who, as a result of trading such amounts, holds an amount which is less than USD200,000 in his account with the relevant clearing system at the relevant time may not receive a definitive capital note in respect of such holding (should definitive capital notes be printed) and would need to purchase a principal amount of Capital Notes such that its holding amounts to USD200,000.

If definitive capital notes are issued, Holders should be aware that definitive capital notes which have a denomination that is not an integral multiple of USD200,000 may be illiquid and difficult to trade.

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:

The secondary market generally

The Capital Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Capital Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. The Capital Notes are especially sensitive to interest rate, currency or market risk/designed for specific investment objectives or strategies/structured to meet the investment requirements of limited categories of investors. As such, the Capital Notes generally will have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Capital Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Capital Notes in U.S. Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. Dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. Dollars would decrease (1) the Investor's Currency-equivalent yield on the Capital Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Capital Notes and (3) the Investor's Currency-equivalent market value of the Capital Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

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

Credit ratings may not reflect all risks

Fitch Ratings Ltd. has assigned a credit rating to the Capital Notes. The rating 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 Capital 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. Any change in the credit rating of the Capital Notes could adversely affect the price that a subsequent purchaser will be willing to pay for the Capital Notes. Investors should not rely solely on the rating of the Capital Notes and should make an independent decision, based on their own analysis and experience, whether to invest in the Capital Notes.

Fitch Ratings Ltd. is established in the European Union and is registered under the CRA Regulation.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the Financial Services Authority shall be incorporated in, and form part of, this Prospectus, provided however that any statement contained therein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such statement:

- (a) the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the year ended 30 September 2012 (set out on pages 66 to 126 of the 2012 annual report of the Issuer);
- (b) the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the year ended 30 September 2011 (set out on pages 54 to 117 of the 2011 annual report of the Issuer); and
- (c) the interim management statement of the Issuer in respect of the three months ended 31 December 2012.

Copies of the documents specified above may be inspected, free of charge, during normal business hours at the registered office of the Issuer or on the Issuer's website at <http://www.aberdeen-asset.com/aam.nsf/investorrelations/home>.

Any information contained in any of the documents specified above which is not incorporated by reference in this Prospectus is either not relevant to investors or is covered elsewhere in this Prospectus.

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

CONDITIONS OF THE CAPITAL NOTES

The following is the text of the Conditions of the Capital Notes which (subject to modification) will be endorsed on each Capital Note in definitive form (if issued):

The USD500,000,000 7.00 per cent. Perpetual Cumulative Capital Notes (the **Capital Notes**, which expression shall in these terms and conditions (**Conditions**), unless the context otherwise requires, include any further capital notes issued pursuant to Condition 14 and forming a single series with the Capital Notes) of Aberdeen Asset Management PLC (the **Issuer**) are constituted by a Trust Deed dated the Issue Date (the **Trust Deed**) made between the Issuer and Citicorp Trustee Company Limited (the **Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Capital Notes (the **Holder**s) and the holders of the interest coupons appertaining to the Capital Notes (the **Couponholders** and the **Coupons** respectively, which expression shall, unless the context otherwise requires, include the talons for further interest coupons (the **Talons**) and the holders of the Talons). **Issue Date** means 1 March 2013.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated the Issue Date (the **Agency Agreement**) made between the Issuer, the Trustee and Citibank, N.A. (the **Principal Paying Agent** and together with any other paying agent (if any), appointed by the Issuer, the **Paying Agents**) are available for inspection during normal business hours by the Holders and the Couponholders at the specified office of each of the Paying Agents. The Holders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Capital Notes are in bearer form, serially numbered, in the denominations of USD200,000 and integral multiples of USD1,000 thereof up to and including USD399,000 each with Coupons and one Talon attached on issue. Capital Notes of one denomination may not be exchanged for Capital Notes of any other denomination.

1.2 Title

Title to the Capital Notes and to the Coupons will pass by delivery.

1.3 Holder Absolute Owner

The Issuer, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Capital Note or Coupon as the absolute owner for all purposes (whether or not the Capital Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Capital Note or Coupon or any notice of previous loss or theft of the Capital Note or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2. STATUS AND SUBORDINATION

2.1 The Capital Notes and any relative Coupons are direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves.

If at any time an order is made, or an effective resolution is passed, for the winding-up, liquidation or dissolution of the Issuer (except, in any such case, a solvent winding-up solely for the purpose of a reconstruction or amalgamation, the terms of which reconstruction or amalgamation have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed)), the amounts payable by the Issuer to the Holders in respect of the Capital Notes shall be subordinated, such that, in lieu of any other payment, the Holders shall be paid such amount, if any, that would have been payable in respect thereof as if, on the day immediately before the commencement of the winding-up, liquidation or dissolution of the Issuer and thereafter, they were the holders of an obligation of the Issuer which ranks junior to Senior Creditors (but not further or otherwise) on the assumption that the amount that each such Holder is entitled to receive in respect of such obligation on a return of assets in such winding-up, liquidation or dissolution were an amount equal to the principal amount of the relevant Capital Note and any accrued interest, Arrears of Interest or other amount payable under or in respect of each Capital Note which are outstanding thereon. To the extent not otherwise included within the foregoing, such amount will include all amounts of principal, accrued interest and Arrears of Interest.

For the purposes of these Conditions, **Senior Creditors** means any unsubordinated creditor of the Issuer.

In the event of a winding-up, liquidation or dissolution of the Issuer (save as described above), each holder of a Capital Note will be treated as a holder of an obligation which ranks as described above and the Capital Notes shall rank senior to, inter alia, the ordinary shares of the Issuer, any preference shares of the Issuer and the USD400,000,000 7.90 per cent. Perpetual Subordinated Capital Securities issued by the Issuer on 29 May 2007.

The provisions of this Condition 2 apply only to the principal and interest in respect of the Capital Notes and nothing in this Condition 2 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

2.2 Set-off

By acceptance of the Capital Notes, each Holder, each Couponholder and the Trustee, on behalf of such Holders and Couponholders, will be deemed to have waived any right of set-off or counterclaim that such Holders might otherwise have against the Issuer in respect of or arising under the Capital Notes and the Coupons whether prior to or in winding-up, liquidation or dissolution. Notwithstanding the preceding sentence, if any of the rights and claims of any Holder or Couponholder in respect of or arising under the Capital Notes or the Coupons are discharged by set-off, such Holder or Couponholder will immediately pay an amount equal to the amount of such discharge to the Issuer or, if applicable, the liquidator or trustee of the Issuer and, until such time as payment is made, will hold a sum equal to such amount in trust for the Issuer or, if applicable, the liquidator or trustee in the Issuer's winding-up, liquidation or dissolution. Accordingly, such discharge will be deemed not to have taken place.

3. INTEREST

3.1 Interest Payment Dates

The Capital Notes bear interest from and including 1 March 2013 (the **Interest Commencement Date**) at 7.00 per cent. per annum, payable in equal instalments quarterly in arrear on 1 March, 1 June, 1 September and 1 December in each year commencing on 1 June 2013 (each an **Interest Payment Date**) *provided that* interest on the Capital Notes shall be payable only at the option of the Issuer as described below. The period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an

Interest Payment Date to (but excluding) the next succeeding Interest Payment Date is called an **Interest Period**.

Whenever it is necessary to compute an amount of interest in respect of the Capital Notes for a period other than an Interest Period, such interest shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days and rounding the resultant figure to the nearest cent, half a cent being rounded upwards.

3.2 Interest Accrual

Each Capital Note will cease to bear interest from and including the due date for redemption unless, upon due presentation, payment of the principal in respect of the Capital Note is improperly withheld or refused or unless default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

3.3 Arrears of Interest

On any Interest Payment Date there shall be paid the interest accrued in the Interest Period which ends on that Interest Payment Date, unless the Issuer elects in its sole discretion to defer payment of such interest in whole or in part. If the Issuer elects to defer any payment of interest in whole or in part, it shall give notice (a **Deferral Notice**) to the Trustee and to the Holders in accordance with Condition 11 not more than 30 nor less than five days prior to the relevant Interest Payment Date (provided that any delay in giving such Deferral Notice shall not affect the deferral of the relevant interest payment or part thereof).

If the Issuer elects to defer any payment of interest in whole or in part, the amount of interest so deferred shall not fall due for payment on the relevant Interest Payment Date (and non-payment of such deferred interest on such Interest Payment Date shall not constitute a default under the Capital Notes for any purpose) and interest shall accrue on such deferred interest, at the interest rate prevailing on the Capital Notes, from (and including) the date on which such deferred interest would (had it not been deferred) otherwise have been due to (but excluding) the date on which such deferred interest is paid. For so long as the same remains unpaid, any deferred interest and interest thereon shall constitute **Arrears of Interest**.

Arrears of Interest may, at the option of the Issuer, be paid in whole or in part (any such part being the whole of the interest accrued during any Interest Period or Periods) at any time upon the expiration of not less than seven days' notice to such effect given to the Holders in accordance with Condition 11 but so that in the case of payment of only part of the Arrears of Interest the interest accrued during any Interest Period shall not be paid prior to that accrued during an earlier Interest Period.

All Arrears of Interest in respect of the Capital Notes outstanding shall become due in full on the earliest of:

- (i) the fifth Business Day in London following the occurrence of a Mandatory Payment Event;
- (ii) the next Interest Payment Date on which any amount of interest is paid in respect of the Capital Notes;
- (iii) the date set for any redemption pursuant to Conditions 5.2, 5.3 or 5.4 or on which the Capital Notes are purchased for cancellation by or on behalf of the Issuer or any entity directly or indirectly controlled by the Issuer; or

- (iv) the commencement of the winding-up, liquidation or dissolution of the Issuer (except, in any such case, a solvent winding-up solely for the purpose of a reconstruction or amalgamation, the terms of which reconstruction or amalgamation have previously been approved in writing by the Trustee or by an Extraordinary Resolution).

Notwithstanding the foregoing, if notice is given by the Issuer of its intention to pay the whole or part of Arrears of Interest, the Issuer shall be obliged to do so upon the expiry of such notice.

In these Conditions:

all references to interest on the Capital Notes shall, unless the context otherwise requires, include Arrears of Interest;

Business Day means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place;

Junior Securities means the ordinary shares of the Issuer, any preference shares of the Issuer and any securities or other instruments either (i) issued directly by the Issuer and which rank or are expressed to rank junior to the Issuer's obligations under Capital Notes; or (ii) issued by any subsidiary of the Issuer and benefiting from a guarantee or support agreement entered into by the Issuer which ranks or is expressed to rank junior to the Issuer's obligations under the Capital Notes;

Mandatory Payment Event means that:

- (a) a dividend in cash, other distribution or payment of any nature is validly declared, paid or made in respect of any Junior Securities or Parity Securities; or
- (b) the Issuer or any of its subsidiaries has repurchased, purchased, redeemed or otherwise acquired any Junior Securities or Parity Securities,

save for, in each case, a dividend, other distribution, payment, repurchase, redemption or other acquisition mandatorily required to be made by the terms of the relevant Junior Securities or Parity Securities; and

Parity Securities means any securities or other instruments either (i) issued directly by the Issuer and which rank or are expressed to rank *pari passu* with the Issuer's obligations under Capital Notes; or (ii) issued by any subsidiary of the Issuer and benefiting from a guarantee or support agreement entered into by the Issuer which ranks or is expressed to rank *pari passu* with the Issuer's obligations under the Capital Notes.

4. PAYMENTS AND EXCHANGES OF TALONS

4.1 Payments in respect of Capital Notes

Payments of principal and interest in respect of each Capital Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Capital Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

4.2 Method of Payment

Payments will be made by credit or transfer to an account in U.S. dollars maintained by the payee with or, at the option of the payee, by a cheque in U.S. dollars drawn on, a bank in London.

4.3 U.S. Paying Agents

Notwithstanding the foregoing, payments will be made at the specified office in the United States of any Paying Agent and (if no such appointment is then in effect) the Issuer shall, subject to the prior written approval of the Trustee, appoint and maintain a Paying Agent with a specified office in New York City at which payments will be made:

- (a) if (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that the Paying Agents would be able to make payment at the specified offices outside the United States of the full amount payable with respect to the Capital Notes in the manner provided above when due, (ii) payment of the full amount due in U.S. dollars at all specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) the payment is then permitted under United States law; or
- (b) at the option of the relevant holder, if the payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences for the Issuer.

4.4 Missing Unmatured Coupons

Each Capital Note should be presented for payment together with all relative unmatured Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons). Upon the date on which any Capital Note becomes due and repayable, all unmatured Coupons appertaining to the Capital Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.

4.5 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Capital Notes will be subject in all cases, to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 6, in the place of payment, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement). Without prejudice to the provisions of Condition 6, any such amounts withheld or deducted will be treated as paid for all purposes under the Capital Notes, and no additional amounts will be paid on the Capital Notes with respect to any such withholding or deduction.

4.6 Payment only on a Presentation Date

A holder shall be entitled to present a Capital Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 3.2, be entitled to any further interest or other payment if a Presentation Date is after the due date.

Presentation Date means a day which (subject to Condition 7):

- (a) is or falls after the relevant due date;

- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Capital Note or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a U.S. dollar account in New York City, is a Business Day in New York City.

4.7 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 7. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

4.8 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which so long as the Capital Notes are admitted to official listing on the London Stock Exchange shall be London or such other place as the UK Listing Authority may approve; and
- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices will be given to the Holders promptly by the Issuer in accordance with Condition 11.

5. REDEMPTION AND PURCHASE

5.1 No Maturity

The Capital Notes have no final maturity date and are only redeemable or repayable in accordance with the following provisions of this Condition or Condition 8.

5.2 Redemption for Taxation Reasons

Subject to Condition 5.7, upon the occurrence of a Tax Event the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 11 (which notice shall be irrevocable), redeem all the Capital Notes, but not some only, at any time prior to the First Call Date at their principal amount together with any Arrears of Interest and any interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be required to pay such additional amounts as described under Condition 6, were a payment in respect of the Capital Notes then due.

Prior to giving any notice of redemption pursuant to this Condition 5.2, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that a Tax Event has occurred and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out in Condition 5.8, in which event it shall be conclusive and binding on the Holders and the Couponholders.

5.3 Redemption for Regulatory Reasons

Subject to Condition 5.7, if a Regulatory Event has occurred and is continuing the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 11 (which notice shall be irrevocable), redeem all the Capital Notes, but not some only, at any time prior to the First Call Date at their principal amount together with any Arrears of Interest and any interest accrued to but excluding the date of redemption.

Prior to giving any notice of redemption pursuant to this Condition 5.3, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that a Regulatory Event has occurred and is continuing and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out in Condition 5.8, in which event it shall be conclusive and binding on the Holders and the Couponholders.

5.4 Redemption at the Option of the Issuer

Subject to Condition 5.7, the Issuer may having given:

- (a) not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 11; and
- (b) notice to the Trustee and the Principal Paying Agent not less than seven days before the giving of the notice referred to in (a);

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Capital Notes on the First Call Date or on any Interest Payment Date thereafter at their principal amount together with any Arrears of Interest and any interest accrued to but excluding the date of redemption.

5.5 Purchases

The Issuer may at any time purchase Capital Notes (provided that all unmatured Coupons appertaining to the Capital Notes are purchased with the Capital Notes) in any manner and at any price.

5.6 Cancellations

All Capital Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer will forthwith be cancelled, together with all relative unmatured Coupons attached to the Capital Notes or surrendered with the Capital Notes, and accordingly may not be held, reissued or resold.

5.7 Restriction on early redemption or purchases of Capital Notes

Notwithstanding any other provision of this Condition 5, the Issuer may only redeem or purchase Capital Notes if the Issuer has obtained the Relevant Authority's prior consent or non-objection (as (and to the extent) required by applicable law and regulation) to the redemption or purchase of the relevant Capital Notes.

5.8 Definitions

In these Conditions:

Applicable Capital Regulations means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in the United Kingdom including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Authority (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer);

Basel III means the reforms set out in the document entitled "*Basel III: A global regulatory framework for more resilient banks and banking systems*" published by the Basel Committee on Banking Supervision in December 2010, together with the press release headed "*Basel Committee issues final elements of the reforms to raise the quality of regulatory capital*" dated 13 January 2011 and including as amended or replaced;

CRD IV means, taken together, the (i) CRD IV Directive (ii) CRD IV Regulation and (iii) Future Capital Instruments Regulations;

CRD IV Directive means a directive of the European Parliament and of the Council on the prudential supervision of credit institutions and investment firms, a draft of which was published on 20 July 2011, as implemented in the United Kingdom and including as amended or replaced;

CRD IV Regulation means a regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, a draft of which was published on 20 July 2011, as implemented and/or applicable in the United Kingdom and including as amended or replaced;

First Call Date means 1 March 2018;

Future Capital Instruments Regulations means any Applicable Capital Regulations that come into effect after 27 February 2013 and which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Issuer to the extent required by (i) the CRD IV Regulation or (ii) the CRD IV Directive;

A **Regulatory Event** is deemed to have occurred if as a result of a change in law or regulation (or in the official interpretation thereof) applicable to the Capital Notes occurring after 27 February 2013 including, amongst other things (but not limited to), as a result of amendments to capital regulations to give effect to Basel III and/or CRD IV, the whole of the outstanding principal amount of the Capital Notes would not be eligible in full to form part of the capital resources of the Issuer under applicable capital regulations (save where such failure to be so eligible is solely a result of any applicable limitation on the amount of such capital) and (to the extent required by applicable law and regulations) the circumstance giving rise to such events was not (in the opinion of the Issuer) reasonably foreseeable at the Issue Date;

Relevant Authority means the Financial Services Authority or other governmental authority in the United Kingdom (or other country in which the Issuer is then domiciled) having the responsibility of making such decisions;

Tax Event means an event where the Issuer determines that as a result of a Tax Change in Law either (i) in making any interest payments on the Capital Notes, it has paid, or will or would on the next Interest Payment Date be required to pay, additional amounts in accordance with Condition 6,

or (ii) in respect of the Issuer's obligation to pay any interest payment on the next following Interest Payment Date, there is a substantial risk that the Issuer would not be entitled to claim a deduction in respect thereof when computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced, and in any such case, such requirement or circumstance cannot be avoided by the Issuer taking reasonable measures available to it and (to the extent required by applicable law and regulations) the circumstance giving rise to such events was not (in the opinion of the Issuer) reasonably foreseeable at the Issue Date; and

For the purposes of the definition of Tax Event a **Tax Change in Law** means a 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 (including any treaty to which the United Kingdom is a party), or any change in the application of or official or generally published interpretation of those laws or regulations, including the 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, which change or amendment becomes, or would become, effective on or after 27 February 2013. For the purpose of this definition, any changes to the draft tax legislation published on 26 October 2012 and 5 December 2012 (and intended to be effective from 26 October 2012) relating to tier 2 issuances shall each be regarded as a Tax Change in Law.

6. TAXATION

All payments in respect of the Capital Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Holders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Capital Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Capital Note or Coupon:

- (a) presented for payment by, or on behalf of, a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Capital Notes or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Capital Note or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date, except to the extent that the relevant holder would have been entitled to such additional amounts on presenting the same for payment on such thirtieth day; or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) 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 Capital Note or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money

having been so received, notice to that effect has been duly given to the Holders by the Issuer in accordance with Condition 11.

6.2 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Capital Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

7. PRESCRIPTION

Capital Notes and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Capital Notes or, as the case may be, the Coupons, subject to the provisions of Condition 4. There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this Condition 7 or Condition 4.

8. EVENTS OF DEFAULT

If default is made in the payment of any principal or interest due in respect of the Capital Notes or any of them and such default continues for a period of 14 days or more, in any case after the due date (such event, an **Event of Default**), the Trustee may, notwithstanding the provisions of Condition 9 below, institute proceedings for the winding-up, liquidation or dissolution in Scotland (but not elsewhere) of the Issuer and, in the event of proceedings being initiated for the winding-up, liquidation or dissolution of the Issuer, the Trustee may prove in such proceedings for such amounts as further described in Condition 2.

9. ENFORCEMENT

9.1 Enforcement

The Trustee may, at its discretion and without notice, institute such proceedings and/or take any other steps or action against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Capital Notes or the Coupons (other than for a failure to pay any amount under or in respect of the Capital Notes or the Trust Deed (except in relation to the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof), including any damages awarded for breach of any obligation of the Issuer), provided that the Issuer shall not, 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.

9.2 Entitlement of the Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 8 and Condition 9.1 above against the Issuer or otherwise to enforce the terms of the Trust Deed, the Capital Notes or the Coupons or to take any other action or steps under or pursuant to the Trust Deed unless (i) it shall have been so requested by an Extraordinary Resolution or in writing by the holders of at least one-third in principal amount of the Capital Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

9.3 Rights of Holders

No Holder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up, liquidation or dissolution in Scotland of the Issuer or to prove in any such winding-up, liquidation or dissolution unless the Trustee, having become so bound to proceed or prove, fails to do so within a reasonable period and such failure is continuing, in which case the Holder or Couponholder shall have, in respect of the Notes, only such rights against the Issuer as those which the Trustee is entitled to exercise. No remedy against the Issuer shall be available to the Trustee or any Holder or Couponholder (i) for the recovery of amounts owing under or in respect of the Capital Notes or the Coupons or the Trust Deed other than the institution of proceedings for the winding-up, liquidation or dissolution of the Issuer and/or proving in such winding-up, liquidation or dissolution and (ii) for the breach of any other term under the Trust Deed, the Capital Notes or the Coupons, other than as provided in Condition 9.2 above.

Nothing in this Condition 9 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

10. REPLACEMENT OF CAPITAL NOTES AND COUPONS

Should any Capital Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent (or any other place of which notice shall have been given in accordance with Condition 11) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Capital Notes, Coupons or Talons must be surrendered before any replacement Capital Notes, Coupons or Talons will be issued.

11. NOTICES

Notices to Holders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the Financial Times). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Capital Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Holders in accordance with this Condition.

12. MEETINGS OF HOLDERS, MODIFICATION, WAIVER, BINDING EFFECT

12.1 Meetings of Holders

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed.

Such a meeting may be convened by the Issuer or by the Trustee and shall also be convened by the Issuer upon the request in writing of Holders holding not less than one-tenth of the aggregate principal amount of the outstanding Capital Notes. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing more than half of the principal amount of the Capital Notes for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Holders whatever the principal amount of the Capital Notes so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions and the Trust Deed (including, inter alia, the provisions regarding subordination referred to in Condition 2, the terms concerning currency and the due dates for payment of principal or interest in respect of the Capital Notes and reducing or cancelling the

principal amount of any Capital Notes or reducing the rate of interest payable in respect of the Capital Notes) the quorum will be one or more persons holding or representing not less than three-quarters, or at any adjourned such meeting not less than one quarter, in principal amount of the Capital Notes for the time being outstanding.

In addition, (i) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Capital Notes for the time being outstanding, and or (ii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in principal amount of the Capital Notes for the time being outstanding will 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 Holders.

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting, and on all Couponholders.

12.2 Modification and Waiver

Notwithstanding any other provision of these Conditions, the Trustee may agree, without the consent of the Holders or Couponholders, to any modification (subject to certain exceptions) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders or to any modification which is of a formal, minor or technical nature or to correct a manifest error or to comply with the mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

12.3 Binding on Holders

Any such modification, waiver authorisation or determination shall be binding on all Holders and all Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Holders in accordance with Condition 11 as soon as practicable thereafter.

12.4 Trustee to have Regard to Interests of Holders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Holder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders or Couponholders except to the extent already provided for in Condition 6 and/or any undertaking given in addition to, or in substitution for, Condition 6 pursuant to the Trust Deed.

12.5 Relevant Authority consent

No modification to these Conditions shall be effected without the Relevant Authority's prior consent or non-objection (as (and to the extent) required by applicable law and regulation) to such modification.

13. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer or any subsidiary of the Issuer without accounting for any profit resulting therefrom. The Trustee is entitled under the Trust Deed to rely on reports and certificates addressed and/or delivered to it by the auditors of the Issuer and/or any other expert whether or not the same are addressed to the Trustee and whether or not they are subject to any limitation on the liability of the auditors or such other expert, whether by reference to a monetary cap or otherwise. No liability shall attach to the Trustee if, as a result of any event outside the control of the Trustee or its agent, the Trustee or its agent is unable to comply with any of the provisions of these Conditions.

14. FURTHER ISSUES

The Issuer shall be at liberty from time to time, without the consent of the Holders or the Couponholders, to create and issue further capital notes ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further capital notes) and so that the same shall be consolidated and form a single series with the outstanding Capital Notes. Any such capital notes shall be constituted by a deed supplemental to the Trust Deed.

15. GOVERNING LAW AND JURISDICTION

The Trust Deed, the Capital Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England.

The Issuer has in the Trust Deed (i) agreed for the benefit of the Trustee and the Holders that the courts of England shall have exclusive jurisdiction to settle any dispute (a **Dispute**) arising from or connected with the Capital Notes (including a Dispute relating to any non-contractual obligations arising out of or in connection with the Capital Notes); and (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.

The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Holders 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 Holders may take concurrent Proceedings in any number of jurisdictions.

16. RIGHTS OF THIRD PARTIES

No person shall have any right to enforce any term or condition of the Capital Notes by virtue of the Contracts (Rights of Third Parties) Act 1999.

OVERVIEW OF PROVISIONS RELATING TO THE CAPITAL NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

The Capital Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common depositary for Euroclear and Clearstream, Luxembourg.

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-US 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 Capital Notes cannot be collected without such certification of non-US beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Capital Notes in definitive form (**Definitive Notes**) in the denomination of USD200,000 and integral multiples of USD1,000 thereof up to and including USD399,000 each at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Principal Paying Agent if either of the following events (each, an **Exchange Event**) occurs: (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 8 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 a Talon attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Capital Note to the bearer of the Permanent Global Capital Note against the surrender of the Permanent Global Capital Note to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Conditions as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Temporary Global Note and the Permanent 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 Temporary Global Note or (as the case may be) the Permanent 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 Capital Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the payment is noted in a schedule thereto.

Call Options: The options of the Issuer provided for in Condition 5 shall be exercised by the Issuer giving notice to the relevant clearing system for communication by it to entitled accountholders (subject to the satisfactions of the conditions contained therein) within the time limits set out in and containing the information required by that Condition.

Notices: Notwithstanding Condition 11, while all the Capital Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Holders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg provided that, so long as the Capital Notes are admitted to the official list maintained by the UK Listing Authority and admitted to trading on the London Stock Exchange's regulated market, all requirements of the UK Listing Authority have been complied with. In any case, such notices shall be deemed to have been given to the Holders in accordance with Condition 11 on the date of delivery to Euroclear and Clearstream, Luxembourg.

USE OF PROCEEDS

The net proceeds of the issue of the Capital Notes, amounting to approximately USD488,750,000, will be applied by the Issuer to repay existing subordinated indebtedness and for its general corporate purposes.

DESCRIPTION OF THE ISSUER

General

The Issuer was incorporated and registered in Scotland under the Companies Acts 1948 to 1981 on 2 March 1983 with registered number 82015 as a private company limited by shares with the name Arisino Limited. The Issuer changed its name to Aberdeen Fund Managers Limited on 13 April 1983, to Abtrust Holdings Limited on 23 December 1987 and to Aberdeen Trust Holdings Limited on 13 June 1988. On 12 September 1989, the Issuer re-registered as a public company limited by shares. On 22 March 1991 the Issuer changed its name to Aberdeen Trust PLC and on 1 May 1997 it changed its name to Aberdeen Asset Management PLC. Aberdeen Asset Management PLC is the legal and commercial name of the Issuer, whose purpose is to act as the holding company for the Group.

The Group's head office and registered office are at 10 Queen's Terrace, Aberdeen AB10 1YG and its telephone number is 01224 631999. The Group's principal places of business are at 10 Queen's Terrace, Aberdeen AB10 1YG and Bow Bells House, One Bread Street, London EC4M 9HH.

Group Overview

The Issuer is a global asset management group investing across the main investment strategies of equities, fixed income and property, complemented by its solutions business, which provides multi asset and fund of alternatives services. The Group is present in 24 countries with some 31 offices and over 2,000 staff worldwide. Whilst it is headquartered in Aberdeen, the Group has its main investment offices in London, Edinburgh, Singapore, Philadelphia and Sydney.

The Group's business is the active management of assets for third parties. It delivers that expertise in the form of segregated and pooled products across borders. Key clients of the Group include leading government, national and corporate pension funds, sovereign wealth schemes, local government agencies, central banks and other investment institutions. The Issuer has a broad shareholder base and is free from the ownership ties of a larger parent company structure.

The Group believes in locating its investment and client service teams in or near the markets in which it invests or where its clients are based. The Group has grown rapidly in the last 30 years and values a flat management structure and being an open, diverse and accessible employer. To its clients, the Group believes it is transparent and approachable and it aims to deliver the highest client service standards. It champions local decision making, close-knit teams and interdependence among our offices worldwide.

Total assets under management (**AUM**) amounted to £193.4 billion as at 31 December 2012 and £187.2 billion as at 30 September 2012, with total net revenues of £869.2 million for the year ended 30 September 2012 (£784.0 million: 30 September 2011)). Over 94 per cent. of the Group's net revenue comes from recurring management fees.

Gross new business for the quarter period to 31 December 2012 totalled £10.8 billion compared to £9.0 billion for the previous quarter to 30 September 2012. Outflows totalled £9.7 billion (£9.0 billion for the quarter to 30 September 2012). This resulted in net inflows to the business for the quarter of £1.1 billion (net neutral flows for the quarter to 30 September 2012). For the year to 30 September 2012, net new business was neutral and for the six month period to 31 March 2012, £(0.4) billion.

Business Strategy

The strategic objectives of the Group are twofold: (i) to deliver a high quality service to existing and new customers across a broad asset base, resulting in strong organic growth in management fee income; and (ii) to deliver superior levels of risk-adjusted investment performance consistently.

A broad asset base

The Issuer seeks consistent long-term investment performance across all investment strategies. The Issuer aims to develop each of the investment areas, ensuring that each team has a disciplined investment process, based on team based decision making and original research.

International reach

The Group's global network of 31 offices in 24 countries supports a uniformly high standard of local client service. The Group is continuing to expand and deepen its distribution footprint to enhance client service and create new business opportunities. The British Isles accounts for 28 per cent. of the Group's clients by AUM, Europe (excluding UK) accounts for over 33 per cent. of the Group's AUM, Asian clients account for around 12 per cent. of AUM, 19 per cent. of AUM is managed on behalf of clients throughout the Americas with around 8 per cent. managed for institutional and sovereign wealth clients in the Middle East and Africa.

A diverse client base

The Group has a diverse client base - both by channel and nature of client. Its institutional clients include pension funds, corporates, sovereign wealth funds, government agencies and insurance companies. The Group typically sells its products to retail clients through intermediaries or distributors or other third party advisors such as private banks, financial advisors, wealth managers and platforms.

The Group aims to achieve its strategic objectives through a combination of its investment process, the distribution of its products and having an efficient operating model. The Group believes that to win new business in the current environment demands excellent client service and a strong brand, as well as top investment performance.

Investment process

There are four principles that apply to all the Group's investment areas:

Team approach. The Group has a strong team culture, with distinctive and transparent investment processes. Decisions are made collectively and the Group is careful to avoid cultivating start fund managers.

Active portfolio management. As a truly active manager, it is key that the Group's teams are based in the major locations where it invests.

Proprietary research. The Group's investment process is founded on its own primary research and due diligence processes. This is implemented through a comprehensive and robust investment screening procedure which is applied consistently by its teams.

Long term focus. The Group's mainstream strategies are to buy and hold, rarely pursuing short-term returns albeit that for specialist portfolios, activity may be more dynamic.

Distribution

The Group approaches distribution through its global network of offices to serve its clients. The global distribution network allows the Group to service the largest private banks and wealth managers and build on its strategic distributor relationships. It has dedicated teams for client management with performance metrics geared around service levels and client satisfaction. It has a targeted approach to growth by concentrating on distributing the Group's products in the markets where the Group has a strong track record and there is a demand for those products. Product development is both market-driven and client-demand led, focusing on products which provide optimised returns. Distribution of the Group's products is supported by the

promotion of the Aberdeen brand through a co-ordinated series of local and regional name awareness initiatives and sponsorship opportunities.

Operating model

The Group's in-house systems cover strategic operations such as centralised dealing, as well as decision support, data, and compliance. The majority of back office functions, such as investment administration, are outsourced to well established third parties who pass the Group's stringent operational requirements. The quality and continuity of service is of paramount importance to the Group.

Clients and Products

The Group's client base is comprised mainly of institutional segregated account mandates and pooled funds which are distributed through a number of channels, with segregated account mandates representing 53 per cent. of AUM at 31 December 2012 (55 per cent. at 30 September 2012) and a further 47 per cent. comprised of pooled fund mandates (45 per cent. at 30 September 2012).

Clients of the Group include government, national and corporate pension schemes, local government agencies, central banks, listed investment companies, foundations and charities. The Group's marketing effort targets investment consultants as well as professional investment fund buyers such as private banks, funds-of-funds and discretionary fund managers. There is considerable overlap between these areas and each requires a sophisticated client relationship infrastructure. The Group's investment managers and product development teams work closely with intermediaries and plan sponsors to establish a client's investment profile, providing customised benchmarks and reporting as necessary.

Assets Under Management by Asset Class and by Client Domicile

	As of 31 December 2012 (£bn)	(Per cent.)	As of 30 September 2012 (£bn)	(Per cent.)
<i>By Asset Class:</i>				
Equities	108.3	56.0	100.7	53.8
Fixed Income	35.8	18.5	36.3	19.4
Property	18.3	9.5	18.7	10.0
Aberdeen Solutions	23.5	12.1	23.6	12.6
Money Market.....	7.5	3.9	7.9	4.2
Total Assets Under Management	193.4	100	187.2	100
<i>By Domicile:</i>				
Europe ExUK.....	65.0	33.6	62.2	33.2
UK.....	53.3	27.6	54.7	29.2
Asia Pacific.....	23.4	12.1	22.9	12.3

Americas.....	36.8	19.0	32.4	17.3
Middle East and Africa.....	14.9	7.7	15.0	8.0
Total Assets Under Management	193.4	100	187.2	100

New Business Net Flows by Asset Class	3 months to 31 December 2012	3 months to 30 September 2012
	(£m)	(£m)
Equities.....	3,114	2,830
Fixed Income.....	(775)	(1,797)
Property.....	(373)	(2)
Aberdeen Solutions.....	(443)	(841)
Money Market.....	(465)	(165)
	1,058	25

New Business Net Flows – Equities

Asia Pacific.....	1,424	719
Global Emerging Markets.....	1,697	1,281
Europe.....	(27)	(3)
Global & EAFE.....	309	1,159
UK.....	(47)	(303)
US.....	(242)	(23)
	3,114	2,830

New Business Net Flows – Fixed Income

Asia Pacific.....	(15)	85
Australia.....	(385)	(164)
Convertibles.....	8	5
Currency overlay.....	(101)	(18)
Emerging markets.....	810	336

Europe.....	(286)	(116)
Global.....	(421)	(1,589)
High yield.....	88	33
UK.....	(368)	(247)
US.....	(105)	(122)
	(775)	(1,797)

**New Business Net Flows –
Aberdeen Solutions**

Indexed equities.....	(52)	(199)
Multi asset.....	185	(213)
Long only multi manager.....	(289)	(189)
Funds of hedge funds.....	(287)	(240)
	(443)	(841)

Pooled funds

The Group operates a global open-ended fund range which is domiciled in Luxembourg and distributed internationally in more than 25 countries. In addition, the Group operates pooled funds domiciled in a number of jurisdictions (including the US, UK, Singapore and Australia) which are then distributed primarily in the relevant domestic funds markets. Marketing operations exist globally. The distribution of pooled funds is typically through discretionary fund managers and fund-of-fund providers, with additional distribution links to banking groups and other third party distributors. A number of global distribution arrangements have also been secured.

The Group also manages a number of closed-ended funds which are essentially segregated account mandates, awarded by the respective fund boards, which are additionally subject to specific reporting requirements or restrictions imposed as a result of legislation as opposed to individual client considerations.

The Group has the investment management contracts for 33 closed-ended funds domiciled in the UK, the Channel Islands and Americas and Australia, including funds listed on UK, US and Canadian stock exchanges.

Segregated Mandates

Segregated (separate) accounts are tailored to specific client mandate requirements, while still being managed in accordance with the Group's distinct investment style and process. The Group operates in the institutional market primarily in the US, UK, Continental Europe, Asia and Australia, with customer bases in each location.

Directors' and other interests

The Directors of the Issuer, each of whose business address is 10 Queen's Terrace, Aberdeen AB10 1YG and their functions in relation to the Group are as follows:

Name	Function(s) within the Group
Roger Courtenay Cornick	Chairman
Martin James Gilbert MA LLB LLD CA	Chief Executive
Andrew Arthur Laing MA LLB	Deputy Chief Executive
William John Rattray MA CA	Finance Director
Roderick MacLeod MacRae MA CA	Group Head of Risk
Anne Helen Richards BSC Hons MBA	Chief Investment Officer
Hugh Young BA	Global Head of Equities
Anita Margaret Frew BA Hons MPhil	Senior Independent Non-Executive Director
Julia Chakraverty MA (Cantab)	Independent Non-Executive Director
Kenichi Miyanaga*	Non-Executive Director
Richard Stephen Mully BA MBA	Independent Non-Executive Director
James Neilson Pettigrew LLB MCT CA	Independent Non-Executive Director
Jutta af Rosenborg BSc	Independent Non-Executive Director
Simon Richard Vivian Troughton MA MRICS	Independent Non-Executive Director

*Mr Kenichi Miyanaga joined the board of directors of the Issuer as a result of the business and capital alliance with Mitsubishi UFJ Trust and Banking Corporation (**Mitsubishi**). Mr Miyanaga is executive officer and general manager in charge of global assets for Mitsubishi. Mitsubishi (and its associates) hold 226,253,982 Ordinary Shares representing approximately 18.9 per cent. of the issued Ordinary Shares.

Directors' conflicts of interest are managed in accordance with the Issuer's Articles of Association, best practice and the principles of good governance set out in the UK Corporate Governance Code published by the Financial Reporting Council. Save for Mr Miyanaga's appointment as executive officer and general manager of Mitsubishi, a shareholder and competitor of the Issuer, there are no potential conflicts of interest between any of the Directors' duties to the Issuer and their private interests or other duties.

Major Shareholders

As at 31 December 2012 being the latest practicable date prior to the publication of this document), in so far as is known to the Issuer, the only persons known to the Issuer who, directly or indirectly are interested in 3 per cent. or more of the issued share capital or voting rights of the Issuer (calculated exclusive of treasury shares) are:

Name	Number of Shares	Percentage of Issued Share Capital
Mitsubishi	226,253,982	18.88
Blackrock	88,249,823	7.36
Employee Share Trust	48,430,017	4.04
Legal & General Investment Management	42,830,758	3.57

Recent Developments

The Issuer recently announced that its wholly-owned subsidiary, Aberdeen Asset Management Inc. (**AAMI**), has reached agreement to acquire 100 per cent. of the share capital of Artio Global Investors Inc. (**Artio**), a publicly listed US asset manager (the **Transaction**).

The purchase consideration of approximately \$175 million represents a premium of \$34 million over Artio's unaudited net asset value at 31 December 2012 and will be satisfied by a cash payment, financed out of the Issuer's existing cash resources, on completion of the Transaction.

As at 31 December 2012, Artio managed assets of approximately \$14.3 billion (*Source: preliminary month end figures released on 12 February 2013 by Artio Global Investors Inc.*) on behalf of a diversified retail and institutional client base.

The Transaction is conditional on Artio shareholder approval and other customary regulatory and client approvals, and is expected to complete by the end of the second quarter or early in the third quarter of 2013. As part of the Transaction, the three largest shareholders of Artio (representing 45 per cent. of the total shareholding in aggregate) have provided an undertaking to the Issuer to exercise their voting rights in favour of the Transaction at the Artio shareholder meeting.

In addition, the Issuer has agreed to acquire a 50.1 per cent. interest in SVG Advisers (**SVGA**) for cash consideration of £17.5 million. SVGA is a wholly owned subsidiary business of SVG Capital plc, an international private equity investor and fund management business listed on the London Stock Exchange.

REGULATORY ENVIRONMENT

Group businesses

The Group's principal operating subsidiaries are investment companies and property asset management companies. Those investment companies comprise fund management, fund distribution, unit trust management and unit linked pension companies, and are incorporated in various European countries (including the UK), Asia Pacific, Australia and the USA. The UK companies also carry out business in other jurisdictions. All of the principal investment companies are subject to regulation and supervision in their place of incorporation and in the other countries in which they carry on business.

United Kingdom

The principal UK investment subsidiaries carry on fund management, unit trust management and unitlinked pensions business in the UK and in other European countries. The UK subsidiaries are subject to the regulation and supervision of the FSA under FSMA (the FSA to be replaced and its powers vested in the Financial Conduct Authority and Prudential Regulation Authority with effect from 1 April 2013). In addition to complying with FSMA, these investment subsidiaries must also comply with the rules and guidance principally those contained in the FSA handbook issued by the FSA under powers granted by FSMA (the **FSA Handbook**). Important sections of these rules and guidance relate to conduct of business and the management and organisation of the regulated company and also prudential and capital requirements which apply to the principal UK investment subsidiaries and are contained in the FSA Handbook.

Authorisation and permission to carry on business

Subject to the exemptions provided in FSMA, no person may carry on regulated activities in the UK unless they are an FSA authorised person having the relevant permissions from the FSA under FSMA. In order to obtain and maintain FSA authorisation a person is required to demonstrate to the FSA that they meet and will continue at all times to meet certain threshold conditions principally that they satisfy the condition of suitability and the condition of having adequate resources measured in both quality and quantity and with regard to: finance, management staff and systems and controls. Each of the principal UK investment subsidiaries is authorised by the FSA under FSMA and has permission to carry on the regulated activities that comprise its business.

Principal UK investment subsidiaries also carry out business in other European countries – see "Other European Countries", below.

Regulatory reporting

UK companies have to prepare accounts in accordance with provisions of the Companies Act 2006 and are required to file, and provide their shareholders with, audited financial statements and related reports. In addition, investment companies regulated by the FSA are separately required to provide information to the FSA and in particular financial information in the forms of reports and returns to the FSA principally as set out in the reporting requirements set in chapters 16 and 17 of the Supervision section of the FSA Handbook.

Regulatory capital requirements

In accordance with the Capital Requirements Directive (**CRD**), as implemented in the UK by the Financial Services Authority (**FSA**), the Group is required to maintain a minimum level of capital.

In common with many other independent asset managers, the Group holds a waiver from the requirement to meet the full consolidated supervision rules of the CRD. The waiver was granted by the FSA with effect from January 2007 and is effective until August 2014. However, the Issuer has grown its balance sheet such that it is now able to meet regulatory requirements without reliance on this waiver.

The Group is required to undertake an Internal Capital Adequacy Assessment Process (ICAAP), under which the Board of the Issuer quantifies the level of capital required to meet operational risks; this is referred to as the Pillar 2 capital requirement. The objective of this process is to ensure that firms have adequate capital to enable them to manage their risks which may not be adequately covered under the Pillar 1 requirements. This is a forward looking exercise which includes stress testing for the effects of major risks. These tests consider how the Group would cope with a significant market downturn, for example, and include an assessment of the Group's ability to mitigate the risks.

Supervision and enforcement

The FSA has wide powers to supervise, and intervene in, the affairs of a UK investment company under FSMA. For instance, it can require a company to provide particular information or documents, require a company to provide a "skilled persons" report or formally investigate a firm. It has the power to take a range of disciplinary or enforcement actions, including public censure, restitution, fines or sanctions and the award of compensation.

Future developments

Drafts of both the amendments to the Capital Requirements Directive (known as CRD IV) and the application of an EU regulation (known as CRR) directly in each member state have been released by the European Commission. These are not yet published in final form but do propose that CRD IV and CRR will apply to "investment firms" and will therefore be applicable to the Group. The draft proposals include a tightening of the criteria for components to be recognised as regulatory capital and a simplification of the definition of capital, in particular, removing the current upper and lower sub classifications for Tier 2 capital instruments and the abolition of the category relating to Tier 3 capital instruments.

The Alternative Investment Fund Managers Directive (**AIFMD**) is due to be implemented in the UK in July 2013 with full compliance required by July 2014. The AIFMD extends to almost all EU managers of EU investment funds which are not authorised UCITS collective investment schemes. The implementation of the AIFMD will involve changes to the FCA's regulation of investment managers managing funds which fall within the scope of the AIFMD including the Issuer.

OTHER EUROPEAN COUNTRIES

Apart from the activities in the UK, the Group's other principal European investment activities are conducted in Luxembourg. In addition, principal UK investment subsidiaries carry on business in other European countries.

A person who is authorised by the FSA to carry on investment business in the UK is entitled to use a procedure known as "passporting" to authorise it to carry on business in another EU member state, avoiding the need for a full authorisation application. Under this arrangement, the FSA continues to supervise the passporting person, who must comply with UK prudential requirements and high-level standards, although the regulator in the host European country will regulate compliance with conduct of business, money laundering and certain other limited requirements. Principal UK investment subsidiaries are entitled to carry on business in other EU countries under this passporting arrangement.

Although authorisation is not required from the local European regulatory body, the UK investment subsidiaries are required to comply with certain laws and regulatory requirements, for instance in respect of conduct of business and money laundering, in relation to business carried on in the relevant country.

The Group operates in Luxembourg through the establishment of a branch office of Aberdeen Asset Managers Ltd. The branch has been approved by the FSA in the UK and the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg under the provisions of the European Investment Services Directive 93/22/EEC.

The Luxembourg branch provides local language support to the activities of AAM's business development team in the promotion of Aberdeen Global SICAV to institutional investors. It does not carry out investment management activities. It has to comply with the general legal framework (general provisions of civil law, commercial law, labour law and criminal law) applicable to all activities carried on in Luxembourg. In particular, the CSSF has specified that the branch is required to apply the Luxembourg rules regarding the prevention of money laundering as set out in the law of 12 November 2004 on the fight against money laundering and financing of terrorism as well as in Part II of the amended law of 5 April 1993 on the financial sector and detailed in particular in the CSSF 05/211.

The branch is required to periodically provide the CSSF, as the home country supervisory authority, with financial and operational information including financial statements and staff numbers.

In the case of the Luxembourg branch, the FSA is the principal regulator and the supervision and enforcement processes are similar to the UK. There are additional requirements for the "host" regulator as noted above.

Future developments

Luxembourg will be affected by the introduction of the AIFMD (see above). The detailed requirements have yet to be finalised.

ASIA PACIFIC

The Issuer operates through a number of investment subsidiaries in Asia Pacific, the principal investment subsidiaries of which are incorporated in and regulated in Singapore, Hong Kong and Australia.

Singapore

Regulatory reporting

Aberdeen Asset Management Asia Limited (**AAMAL**) is required to prepare accounts in accordance with provisions of the Companies Act (Chapter 50) of Singapore and Singapore Financial Reporting Standards, and is required to file, and provide their shareholders with, audited financial statements and related reports. In addition, AAMAL holds a Capital Market Services Licence under the Securities and Futures Act (Chapter 289) of Singapore (**SFA**) to carry out fund management and dealing in securities activities and is separately required to provide financial and other prudential reports to the Monetary Authority of Singapore (**MAS**). AAMAL is also an Exempt Financial Adviser under the Financial Advisers Act (Chapter 110) of Singapore (**FAA**).

Capital requirements

AAMAL, holding a capital market services licence, is regulated under the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences Regulations (**SFFMR**). Under SFFMR, AAMAL is required to comply with the following financial requirements on a continuing basis under a Risk Based Capital (**RBC**) framework:

- (a) a Minimum Capital Requirement of not less than S\$1 million; and

(b) a Minimum Financial Resources Requirement of not less than 120 per cent. of its Total Risk Requirements (**TRR**).

For the purpose of RBC framework, TRR is broadly grouped into five categories: counterparty risk, position risk, large exposure risk, underwriting risk and operational risk. AAMAL is currently only exposed to operational risk.

Supervisions and enforcement

The MAS has wide powers to supervise, and intervene in, the affairs of AAMAL under the SFA. For instance, it can require a company to provide particular information or documents, issue written directions to a company or formally investigate a company. It has the power to take a range of disciplinary or enforcement actions, including public censure, restitution, fines and sanctions.

Hong Kong

Regulatory reporting

Aberdeen International Fund Managers Limited (**AIFML**) is required to prepare accounts in accordance with provisions of the Hong Kong Companies Ordinance and Hong Kong Financial Reporting Standards, and is required to file and provide their shareholders with, audited financial statements and related reports. AIFML is regulated under the Securities and Futures Ordinance (Cap 571) (**SFO**) to carry out Type 1: dealing in securities, Type 4: advising on securities and Type 9: asset management activities, and is required to provide financial and other prudential reports to the Securities and Futures Commission (**SFC**).

Capital requirements

Supervisions and enforcement AIFML is required to comply at all times with the Securities and Futures (Financial Resources) Rules. The level of capital required varies depending on the licence. All licensed corporations are required to maintain a minimum paid-up share capital (subject to some limited exceptions) and a minimum liquid capital. AIFML's licence requires it to hold paid-up share capital of at least HK\$5 million and liquid capital of the higher of HK\$3 million or 5 per cent. of the total liabilities throughout the year.

Supervisions and enforcement

The SFC supervises licenced corporations including AIFML via on-site reviews and off-site monitoring, processes applications for approval, waiver or modification of various requirements relevant to intermediaries and maintains communication with intermediaries including AIFML and the industry on policy and regulatory issues. The SFC has the power to inquiry, inspection, surveillance and investigation under the SFO.

Australia

Regulatory reporting

Australian companies are required to prepare accounts in accordance with provisions of the Corporations Act 2001 and are required to file with the regulator, audited financial statements and related reports. Additional report filing to the regulator is required in relation to certain significant changes within the company or schemes they operate or manage.

Solo capital requirements

The principal Australian investment subsidiary, holding a Australian Financial Services Licence (AFSL), is regulated under the Corporations Act 2001, by the Australian Securities and Investments Commission (ASIC).

Under the AFSL financial requirements, the principal Australian investment subsidiary is required to comply with the net tangible assets requirement (if acting as a Responsible Entity for managed investment schemes), surplus liquid funds, adjusted surplus liquid funds, the net positive asset requirement and sufficient cash resources to cover next 3 months' expenses with adequate cover for contingencies, on a continuing basis.

Supervisions and enforcement

ASIC has wide powers to inspect books, request documentation, supervise and intervene in, the affairs of an Australian company under the Australian Securities and Investments Commission Act 2001 and the Corporations Act 2001.

It has the power to take a range of disciplinary or enforcement actions, including enforceable undertakings, restitution, fines or sanctions such as additional licensing requirements or licence cancellation.

USA

There is one principal investment subsidiary in the USA, Aberdeen Asset Management Inc (**AAMI**) which is incorporated in Delaware. That principal investment subsidiary carries on fund management activities and is regulated and supervised by the Securities and Exchange Commission (**SEC**) under the Investment Advisers Act of 1940 (**40 Act**). In addition to complying with the 40 Act, AAMI must also comply with the rules and guidance issued by the SEC relating to investment companies under the Investment Company Act of 1940 and qualified retirement accounts under rules and guidance issued by the Department of Labor. The most important of these rules relate to fiduciary duties.

Authorisation and permission to carry on business

In the USA, authorisation is required from the SEC as the federal regulator under the 40 Act for a person to carry on investment activities. AAMI does make notice filings in all fifty US states as certain states require such filings when a registered investment adviser has clients in that state. No other separate state authorisations, consents, licences or permissions are required to carry on investment business. The SEC uses its audit and examination powers to determine whether the applicant is a fit and proper person, having regard to all the circumstances, including whether the applicant's affairs are conducted soundly and prudently.

Regulatory reporting

The US investment advisory subsidiary must file a form ADV annually or when material changes require more frequent filings.

Solo capital requirements

There are no specific capital requirements for a US registered investment adviser. The subsidiary in the USA is wholly owned by the Issuer.

Consolidated capital requirements

The 40 Act does not require consolidated reporting. The US investment adviser subsidiary does have fully, annually audited non-consolidated financial statements

Supervision and enforcement

The SEC has wide powers to regulate, and intervene in, the affairs of a US registered investment adviser. For instance, it can require a company to provide particular information or documents, require a company to report to the SEC or formally investigate a firm. It has the power to take a range of disciplinary or enforcement actions, including public censure, restitution, fines or sanctions and the award of compensation.

TAXATION

United Kingdom Taxation

The following applies only to persons who are the beneficial owners of Capital Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs practice relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Holders depends on their individual circumstances and may be subject to change in the future. Prospective Holders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

A. INTEREST ON THE CAPITAL NOTES

1. Payment of interest on the Capital Notes

Payments of interest on the Capital Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Capital Notes continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the **Act**). The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Capital Notes remain so listed, interest on the Capital Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Capital Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Capital Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Capital Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HM Revenue & Customs has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Capital Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Holder, HM Revenue & Customs can issue a notice to the Issuer to pay interest to the Holder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Holders may wish to note that HM Revenue & Customs has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Holder. Information so obtained may, in certain circumstances, be exchanged by HM Revenue & Customs with the tax authorities of the jurisdiction in which the Holder is resident for tax purposes.

2. EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

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

3. Further United Kingdom Income Tax Issues

Interest on the Capital Notes constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Holder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Holder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Capital Notes are attributable (and where that Holder is a company, unless that Holder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Capital Notes are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Holders.

B. UNITED KINGDOM CORPORATION TAX PAYERS

In general, Holders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Capital Notes (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

C. OTHER UNITED KINGDOM TAX PAYERS

1. Taxation of Chargeable Gains

A disposal of Capital Notes by an individual Holder who is resident or ordinarily resident in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Capital Notes are attributable, may give rise to a chargeable gain or allowable loss for the purposes of the United Kingdom taxation of chargeable gains.

2. Accrued Income Scheme

On a disposal of Capital Notes by a Holder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Act, if that Holder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Capital Notes are attributable.

The Capital Notes are likely to constitute variable rate securities for the purposes of the accrued income scheme. Under the accrued income scheme, on a disposal of Capital Notes by a Holder who is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Capital Notes are attributable, the Holder may be charged to income tax on an amount of income which is just and reasonable in the circumstances. The purchaser of such a Capital Note will not be entitled to any equivalent tax credit under the accrued income scheme to set against any actual interest received by the purchaser in respect of the Capital Notes (which may therefore be taxable in full).

D. STAMP DUTY AND STAMP DUTY RESERVE TAX (SORT)

No United Kingdom stamp duty or SDRT is payable on a transfer by delivery of the Capital Notes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

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

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code (**FATCA**) impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer (a "Recalcitrant Holder"). The Issuer may be classified as an FFI. The new withholding regime will be phased in beginning 1 January 2014 for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2017. The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes (unless it has agreed to do so under the U.S. "qualified intermediary," "withholding foreign partnership," or "withholding foreign trust" regimes). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the United Kingdom have entered into an agreement (the **US-UK IGA**) based largely on the Model 1 IGA.

If the Issuer is an FFI, it expects to be treated as a Reporting FI pursuant to the US-UK IGA and does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Capital Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Capital Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Capital Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Capital Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Capital Notes.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

SUBSCRIPTION AND SALE

The Lead Manager has, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 27 February 2013, agreed to subscribe or procure subscribers for the Capital Notes at the issue price of 100 per cent. of the principal amount of Capital Notes, less a combined management and underwriting commission. To the extent permitted by local law, the Lead Manager and Issuer have agreed that commissions may be offered to certain brokers, financial advisors and other intermediaries in connection with the purchase of Capital Notes by such intermediary and/or its customers. The Issuer may agree with one or more investment banks that it (or they) act as market maker(s) in respect of the Capital Notes and the Issuer may pay fees to any market maker so appointed. The Issuer will also reimburse the Lead Manager in respect of certain of its expenses, and has agreed to indemnify the Lead Manager against certain liabilities, incurred in connection with the issue of the Capital Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Issuer.

United States

The Capital 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.

The Capital Notes 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. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

The Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Capital Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Capital Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Capital Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Capital Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

The Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Capital Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Capital Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The Lead Manager has represented, warranted and undertaken that:

- (a) it has not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any Capital Notes other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to **professional investors** as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO, or (iii) in other circumstances which do not result in the document being a **prospectus** as defined in the Companies Ordinance (Cap 32) of Hong Kong (the **CO**) or which do not constitute an offer to the public within the meaning of the CO; and
- (b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Capital Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Capital Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to **professional investors** as defined in the SFO and any rules made under the SFO.

Singapore

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

Where Capital Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

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

securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Capital Notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act; or

- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the Securities and Futures Act or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations.

General

No action has been taken by the Issuer or the Lead Manager that would, or is intended to, permit a public offer of the Capital Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, the Lead Manager has undertaken that it will comply, to the best of its knowledge and belief, with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Capital Notes or has in its possession or distributes or publishes the Prospectus or any related offering material, in all cases at its own expense.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Capital Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 17 January 2013 and a resolution of a committee of the Board of Directors of the Issuer dated 26 February 2013.

Litigation and other proceedings

2. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had during the 12 months prior to the date of this document, a significant effect on the Group's financial position or profitability.

Significant/Material change

3. There has been no material adverse change in the prospects of the Group since 30 September 2012 and save for the acquisitions referred to in the section headed "Recent Developments" under the "Description of the Issuer" section on page 44 above, there has been no significant change in the financial or trading position of the Group since 30 September 2012, the date to which the audited consolidated financial statements for the Group were prepared.

Dividends

4. In the past five financial years, the Issuer has paid the following dividends:

Ordinary Dividend Payment

<u>Payment date</u>	<u>Details</u>	<u>Payment amount per ordinary share</u>	<u>Aggregate amount (£)</u>
23 January 2008	Year to 30 September 2007 - final	2.9p	18,450,494
19 June 2008	Year to 30 September 2008 - interim	2.8p	19,652,119
29 January 2009	Year to 30 September 2008 - final	3.0p	21,222,061
18 June 2009	Year to 30 September 2009 - interim	2.8p	21,111,235
28 January 2010	Year to 30 September 2009 - final	3.2p	32,223,433
17 June 2010	Year to 30 September 2010 - interim	3.2p	35,286,500

27 2011	January	Year to 30 September 2010 - final	3.8p	42,920,277
16 June 2011		Year to 30 September 2011 - interim	3.8p	42,915,353
26 2012	January	Year to 30 September 2011 - final	5.2p	57,454,422
14 June 2012		Year to 30 September 2012 - interim	4.4p	48,531,978
24 2013	January	Year to 30 September 2012 - final	7.1p	82,157,596

Preference Dividend Payments – 6.75%

<u>Payment date</u>	<u>Details</u>	Payment amount per preference share	Aggregate amount (£)
30 June 2008	Year to 30 September 2008	67.50p	5,395,005
30 June 2009	Year to 30 September 2009	67.50p	4,444,613
30 June 2010	Year to 30 September 2010	67.50p	2,675,498
30 June 2011	Year to 30 September 2011	67.50p	266,827
30 June 2012	Year to 30 September 2012	67.50p	260,318

Share Capital

5. The issued and fully paid up share capital of the Issuer as at 27 February 2013 is 119,840,545 Ordinary Shares of 10 pence each with an aggregate nominal value of £11,984,054.50.

Shareholder Notifications

6. The Issuer notifies its shareholders in accordance with its Articles of Association (as adopted on 21 January 2010 and amended on 19 January 2012) (the **Articles**), general law and the requirements of the Listing Rules and Disclosure and Transparency Rules as published by the Financial Services Authority. Subject to the general law provisions in relation to the giving of notices, under the Articles the Issuer is required to notify its shareholders of matters relating to the Issuer in writing. Such notice or the supply of any other document or information to be given to shareholders by the Issuer may be given (i) by delivering it to shareholders personally, (ii) by sending it by post or (iii) by sending it by electronic means, failing which, the Issuer may notify its shareholders by giving notice or making the information available on a website (provided that the shareholder has agreed to be notified in such manner and has been notified that information has been made available on a website). In the event of a suspension of postal services, then notice may be given by notice advertised in a leading daily newspaper in accordance with the Articles. The Articles include specific provisions pertaining to shareholders without a registered address in the United Kingdom and those who cannot be traced in accordance with the provisions of the Articles.

Notices to the Holders are made according to the provisions set forth on page 34 of this Prospectus

Auditors

7. The annual consolidated audited accounts of the Issuer for each of the two years ended 30 September 2011 and 2012 were audited by the Issuer's auditors, KPMG Audit Plc, Chartered Accountants and regulated by ICAEW, of 37 Albyn Place, Aberdeen AB10 1JB.

Documents Available

8. Copies of the following documents will be available for inspection during normal business hours on any weekday (public holidays excepted) from the date of publication of this Prospectus at the offices of Maclay Murray & Spens LLP, One London Wall, London EC2Y 5AB:
 - (a) the articles of association of the Issuer as adopted on 21 January 2010 and amended on 19 January 2012;
 - (b) drafts (subject to modification) of the Paying Agency Agreement and the Trust Deed; and
 - (c) the audited consolidated accounts of the Issuer for the two years ended 30 September 2011 and 30 September 2012 and the interim management statement of the Issuer in respect of the three months ended 31 December 2012.

Yield

9. The gross annual yield of the Capital Notes is 7.00 per cent. payable on a quarterly basis. The yield is calculated as of the date of this Prospectus and may fluctuate in the future. It is not an indication of future yield.

Legend Concerning US Persons

10. The Capital Notes and any Coupons 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."

ISIN and Common Code

11. The Capital Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0896113007 and the common code is 089611300.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Admission to Listing and Trading

12. It is expected that the Capital Notes will be admitted to the Official List of the UK Listing Authority and admitted to trading on the regulated market of the London Stock Exchange on or about 4 March 2013, subject only to the issue of the Temporary Global Note. However, prior to official listing dealings in the Capital Notes will be permitted by the London Stock Exchange in accordance with its rules.

Expenses of Admission to Trading

13. The estimated total expenses relating to the admission of the Capital Notes to trading on the London Stock Exchange's regulated market is approximately £4,200 (plus VAT).

Credit Ratings

14. The Issuer has been assigned a credit rating of A- by Fitch Ratings Ltd. Fitch Ratings Ltd. is established in the European Union and is registered under the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and maybe subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Lead Manager transacting with the Issuer

15. The Lead Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. The Lead Manager and its affiliates have received, or may in the future receive, customary fees and commissions for those transactions.

In addition, in the ordinary course of its business activities, the Lead Manager and its 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 its affiliates. Any of the Lead Manager and its 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, the Lead Manager and its 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 the Issuer's securities, including potentially the Capital Notes. Any such short positions could adversely affect future trading prices of the Capital Notes. The Lead Manager and its 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.

THE ISSUER

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