

Standard Life Aberdeen

Standard Life Aberdeen plc
(Incorporated with limited liability in Scotland with registered number SC286832)

\$750,000,000

4.25 per cent. Fixed Rate Reset Subordinated Notes due 2048

Issue price: 100 per cent.

The \$750,000,000 4.25 per cent. Fixed Rate Reset Subordinated Notes due 2048 (the “Notes”) are issued by Standard Life Aberdeen plc (the “Issuer”) and constituted by a trust deed to be dated on or about 18 October 2017 (as amended or supplemented from time to time, the “Trust Deed”) between the Issuer and the Trustee (as defined in “Terms and Conditions of the Notes” (the “Conditions”), and references herein to a numbered “Condition” shall be construed accordingly)).

Application has been made to the UK Financial Conduct Authority (the “FCA”) in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “UKLA” and the “FSMA”, respectively) for the Notes to be admitted to the official list of the UKLA (the “Official List”) and to the London Stock Exchange plc (the “London Stock Exchange”) for the 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”). This Prospectus has been approved by the UKLA for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the “Prospectus Directive”). This document comprises a prospectus for the purposes of the Prospectus Directive.

The Notes will bear interest from (and including) 18 October 2017 (the “Issue Date”) to (but excluding) 30 June 2028 at the rate of 4.25 per cent. per annum, and thereafter at the Reset Interest Rate as provided in Condition 4, in each case payable (subject to the following proviso) semi-annually in arrear on 30 June and 30 December in each year commencing on 30 June 2018 with a long first coupon in respect of the first interest period from (and including) the Issue Date to (but excluding) 30 June 2018; provided that the Issuer may defer any payment of interest on any Optional Interest Payment Date, as defined herein, and will be required to defer any payment of interest which is otherwise scheduled to be paid if (i) such payment cannot be made in compliance with the solvency condition described in Condition 3(b) (the “Solvency Condition”) or (ii) a Regulatory Deficiency Interest Deferral Event (as defined herein) has occurred and is continuing, or would occur if such interest payment were made. Any interest so deferred shall, for so long as the same remains unpaid, constitute “Arrears of Interest”. Arrears of Interest will not themselves bear interest, and may, or will, be payable as provided in Condition 5(c).

Unless previously redeemed or purchased and cancelled, the Notes will mature on 30 June 2048 (the “Maturity Date”) and shall, subject to the satisfaction of the Solvency Condition and to no Regulatory Deficiency Redemption Deferral Event (as defined herein) occurring or having occurred, be redeemed on the Maturity Date. Prior to any notice of redemption before the Maturity Date or any substitution, variation or purchase of the Notes, the Issuer will be required to have complied with relevant legal or regulatory requirements including as to notifications to, or consent or non-objection from, (in each case, if and to the extent required) the Relevant Regulator (as defined herein) and to be in continued compliance with the Relevant Rules (as defined herein) applicable to it. Subject to the above, to the Relevant Rules, to satisfaction of the Solvency Condition and to no Regulatory Deficiency Redemption Deferral Event having occurred, the Notes may be redeemed at the option of the Issuer before the Maturity Date on the First Call Date or any Interest Payment Date thereafter (each as defined herein) or upon the occurrence of certain specified events relating to taxation, a Capital Disqualification Event or Rating Methodology Event (as each such term is defined herein) at their principal amount together with any accrued but unpaid interest to (but excluding) the date of redemption and any Arrears of Interest and the Issuer will, upon the occurrence of such events, also have the right to substitute the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), Qualifying Tier 2 Securities or Rating Agency Compliant Securities (as applicable), as described in Condition 6.

The Notes will be direct, unsecured and subordinated obligations of the Issuer, ranking *pari passu* and without preference amongst themselves, and will, in the event of the winding-up of the Issuer or in the event of an administrator of the Issuer being appointed and giving notice that it intends to declare and distribute a dividend, be subordinated to the claims of all Senior Creditors (as defined herein) of the Issuer.

The Notes are expected to be rated Baa1(hyb) by Moody’s Investors Service Ltd. and BBB+ by Standard & Poor’s Credit Market Services Europe Limited (each, a “Rating Agency”), each of which is established in the European Union (the “EU”) and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the “CRA Regulation”). As such, each Rating Agency is included in the list of credit rating agencies published by the European Securities and Markets Authority (“ESMA”) on its website in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes will be issued in registered form and represented upon issue by a registered global certificate which will be registered in the name of a nominee for a common depositary (“Common Depositary”) for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking SA (“Clearstream, Luxembourg”) and together with Euroclear, the “Clearing Systems”) on or about the Issue Date. Definitive Certificates (as defined in the Trust Deed) will be issued only in limited circumstances – see “Overview of the Notes while in Global Form”. The denomination of the Notes shall be \$200,000 and integral multiples of \$1,000 in excess thereof.

An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Prospectus.

Joint Lead Managers and Joint Structuring Advisers

BofA Merrill Lynch

Citigroup

Joint Lead Managers

BNP PARIBAS

HSBC

Société Générale Corporate &
Investment Banking

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.

Any information contained in this Prospectus which has been sourced from a third party has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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

No person is or has been authorised to give any information or to make any representation other than those contained in or consistent with this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, the Managers (as defined in "*Subscription and Sale*" below) or the Trustee. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or that there has been no adverse change in the financial position of the Issuer since the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Managers and the Trustee have not separately verified the information contained in this Prospectus. Neither of the Managers nor the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes. Neither of the Managers nor the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes or their distribution. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes is intended to constitute, and should not be considered as, a recommendation by any of the Issuer, the Managers or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. Neither of the Managers nor the Trustee undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to their attention.

Neither this Prospectus nor any other information provided by the Issuer in connection with the offering of the Notes constitutes an offer of, or an invitation by or on behalf of, the Issuer or the Managers or the Trustee or any of them to subscribe for, or purchase, any of the Notes (see "*Subscription and Sale*" below). This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to

make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Trustee and the Managers do not represent that this Prospectus may be lawfully distributed, or that the 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 Trustee or the Managers or any of them which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the U.S. and the United Kingdom. Persons in receipt of this Prospectus are required by the Issuer, the Trustee and the Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Prospectus, see “*Subscription and Sale*” below.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the U.S. or to U.S. persons, as defined in Regulation S under the Securities Act. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see “*Subscription and Sale*” below.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

In this Prospectus, unless otherwise specified, all references to “**pounds**”, “**sterling**”, “**£**”, “**p**” or “**pence**” are to the lawful currency of the United Kingdom, all references to “**U.S. dollars**”, “**USD**” or “**\$**” are to the lawful currency of the United States of America and all references to “**euros**” or “**EUR**” are to the currency introduced at the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended.

Forward-Looking Statements

This Prospectus includes certain “forward-looking statements”. Statements that are not historical facts, including statements about the beliefs and expectations of the Issuer, its subsidiaries and their respective directors or management, are forward-looking statements. Words such as “believes”, “anticipates”, “estimates”, “expects”, “intends”, “plans”, “aims”, “potential”, “will”, “would”, “could”, “considered”, “likely”, “estimate” and variations of these words and similar future or conditional expressions, are intended to identify forward-looking statements but are not the

exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur, many of which are beyond the control of the Group (which term, when used in this Prospectus, has the meaning given to it in the Conditions) and all of which are based on their current beliefs and expectations about future events. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the Group and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this Prospectus.

Except as required by the FCA, the London Stock Exchange, the FCA's Listing Rules, Prospectus Rules, Disclosure and Transparency Rules or any other applicable law or regulation, the Issuer expressly disclaims any obligations or undertakings to release publicly any updates or revisions to any forward-looking statements contained in this Prospectus to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

In connection with the offering of the Notes, the Managers (or persons acting on behalf of the Managers) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Managers (or persons acting on behalf of the Managers) in accordance with all applicable laws and rules.

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Documents Incorporated by Reference

On 14 August 2017, the Issuer (together with its subsidiaries immediately prior to the Merger (as defined below), the “**Standard Life Group**”) and Aberdeen Asset Management plc (“**Aberdeen**”) (together with its subsidiaries immediately prior to the Merger, the “**Aberdeen Group**”) merged to form the Group (the “**Merger**”).

This Prospectus should be read and construed in conjunction with:

- the audited annual financial statements of the Issuer for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016, in each case, with the audit report thereon;
- the audited annual financial statements of Aberdeen for the financial years ended 30 September 2014, 30 September 2015 and 30 September 2016, in each case, with the audit report thereon;
- the Issuer’s unaudited half year results for the six months ended 30 June 2017;
- Aberdeen’s unaudited interim report and accounts for the six months ended 31 March 2017; and
- pages 2 to 6 (Summary), pages 39 to 70 (Valuation for solvency purposes), pages 71 to 83 (Capital management) and pages 86 to 89 (Report of the external independent auditors to the Directors of Standard Life plc) of the solvency and financial condition report of the Standard Life Group for the financial year ended 31 December 2016,

each of which have been previously published and which have been filed with the Financial Conduct Authority.

The documents referred to above shall be incorporated in, and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein 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 earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Following the publication of this Prospectus, a supplement may be prepared by the Issuer and approved by the UKLA in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus prior to the Issue Date which is capable of affecting the assessment of the Notes, prepare a supplement to this Prospectus. The Issuer has undertaken to the Managers that it will comply with section 87G of the FSMA.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in London. Copies of documents incorporated by reference in this Prospectus are also available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

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

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

Overview of the Principal Features of the Notes

The following overview refers to certain provisions of the Conditions of the Notes and the Trust Deed and is qualified by the more detailed information contained elsewhere in this Prospectus. Terms which are defined in the Conditions have the same meaning when used in this overview, and references herein to a numbered "Condition" shall refer to the relevant Condition in "Terms and Conditions of the Notes".

Issue	\$750,000,000 4.25 per cent. Fixed Rate Reset Subordinated Notes due 2048.
Issuer	Standard Life Aberdeen plc.
Trustee	HSBC Corporate Trustee Company (UK) Limited.
Principal Paying Agent and Agent Bank	HSBC Bank plc.
Registrar and Transfer Agent	HSBC Bank plc.
Status and Subordination	The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> and without any preference among themselves. The rights and claims of the Noteholders against the Issuer are subordinated in a winding-up of the Issuer in accordance with Condition 3(a) and the provisions of the Trust Deed.
Solvency Condition	Except in a winding-up, all payments in respect of the Notes (including, without limitation, payments of interest, Arrears of Interest and principal) will be conditional upon the Issuer being solvent at the time of the relevant payment (and still being solvent immediately thereafter), as described in Condition 3(b) (the " Solvency Condition "), and no amount will be payable in respect of the Notes until such time as the same can be paid in compliance with the Solvency Condition.
Interest	The Notes will bear interest: <ul style="list-style-type: none"> (i) from (and including) the Issue Date to (but excluding) 30 June 2028 (the "First Call Date") at the rate of 4.25 per cent. per annum; and (ii) for each Reset Period thereafter, at the relevant Reset Interest Rate (as defined in Condition 18), <p>in each case payable (subject as provided under "<i>Deferral of Interest</i>" below) semi-annually in arrear on each Interest Payment</p>

Date. There will be a long first coupon in respect of the first interest period, from (and including) the Issue Date to (but excluding) 30 June 2018.

Interest Payment Dates 30 June and 30 December of each year, from (and including) 30 June 2018 to (and including) the Maturity Date.

Deferral of Interest ***Optional deferral:*** In respect of any Optional Interest Payment Date, the Issuer may in its discretion elect to defer payment of the accrued but unpaid interest to that Interest Payment Date (in whole but not in part), and in such circumstances the relevant interest payment shall not fall due on such Interest Payment Date and the Issuer shall have no obligation to make such payment on that date.

Mandatory deferral: The Issuer will be required to defer any payments of interest on the Notes which would otherwise be due on any Interest Payment Date if (i) such payment cannot be made in compliance with the Solvency Condition or (ii) a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if such payment of interest was made on such Interest Payment Date. See Condition 5(b).

“Regulatory Deficiency Interest Deferral Event” means any event (including, without limitation, any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer or all or part of the Group (which part includes the Issuer) to be breached and such breach is an event) which under the Relevant Rules requires the Issuer to defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes and where the Relevant Regulator has not waived the requirement to defer payment of interest under the Notes (on the basis that the Notes are intended to qualify as Tier 2 Capital under the Relevant Rules).

Arrears of Interest Any interest in respect of the Notes not paid on an Interest Payment Date due to the exercise by the Issuer of its discretion pursuant to Condition 5(a) or the obligation on the Issuer to defer pursuant to Condition 5(b) or due to the operation of the Solvency Condition together with any other interest in respect of Notes not paid on an earlier Interest Payment Date will, so long as the same remains unpaid, constitute **“Arrears of Interest”**. Arrears of Interest shall not themselves bear interest.

Arrears of Interest will be payable, in whole or in part, at any time at the option of the Issuer (subject to regulatory consent (if then required) and to the Solvency Condition and provided that a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur upon payment of the same) upon notice to the

Trustee, the Paying Agent and the Noteholders, and in any event all Arrears of Interest will (subject, in the case of (i) and (iii) below, to regulatory consent (if then required) and to the Solvency Condition) become payable in whole (and not in part) upon the earliest of the following dates:

- (i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date on which payment of interest in respect of the Notes is made (other than a voluntary payment by the Issuer of Arrears of Interest); or
- (ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (A) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (B) do not provide that the Notes shall thereby become payable) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend; or
- (iii) the date for any redemption or purchase of the Notes by or on behalf of the Issuer or any of its Subsidiaries.

Redemption at Maturity The Notes will, subject as provided under "*Deferral of Redemption*" below and subject to compliance by the Issuer with the Relevant Rules, be redeemed on 30 June 2048.

Deferral of Redemption The Issuer will be required to defer any scheduled redemption of the Notes (whether at maturity or if it has given notice of early redemption in the circumstances described below under "*Early Redemption at the Option of the Issuer upon the occurrence of a Tax Event, Capital Disqualification Event or Rating Methodology Event*") if (i) the Notes cannot be redeemed in compliance with the Solvency Condition, (ii) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were redeemed or (iii) (if then required) regulatory consent has not been obtained or redemption cannot be made in compliance with the Relevant Rules at such time.

In the event of any deferral of redemption of the Notes, the Notes will become due for redemption only in the circumstances described in Condition 6(a).

“Regulatory Deficiency Redemption Deferral Event” means any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer or all or part of the Group (which part includes the Issuer) to be breached and the continuation of such Insolvent Insurer Winding-up is, or as the case may be, such breach is, an event) which under the Relevant Rules requires the Issuer to defer or suspend repayment or redemption of the Notes and where the Relevant Regulator has not waived the requirement to defer or suspend repayment or redemption of the Notes (on the basis that the Notes are intended to qualify as Tier 2 Capital under the Relevant Rules).

Early Redemption at the Option of the Issuer

The Issuer may, subject to certain conditions and upon notice to Noteholders, elect to redeem the Notes, at their principal amount together with Arrears of Interest (if any) and any other accrued and unpaid interest on the First Call Date or any Interest Payment Date thereafter.

Early Redemption at the Option of the Issuer upon the occurrence of a Tax Event, Capital Disqualification Event or Rating Methodology Event

The Issuer may, subject to certain conditions and upon notice to Noteholders, at any time elect to redeem the Notes, at their principal amount together with Arrears of Interest (if any) and any other accrued and unpaid interest, if a Tax Event, Capital Disqualification Event or Rating Methodology Event has occurred and is continuing.

The Issuer may elect to redeem the Notes due to taxation if:

- (i) as a result of a Tax Law Change (as defined in Condition 6(c)(i)), in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts (as defined in Condition 8) on the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it; or
- (ii) as a result of a Tax Law Change, in respect of the Issuer’s obligation to make any payment of interest on the next following Interest Payment Date, (x) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom, or such entitlement is reduced; (y) the Issuer would not to any extent be entitled to have a loss (if any) that has been computed taking such a deduction into account set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of the Tax

Law Change or any similar system or systems having like effect as may from time to time exist); or (z) the Issuer would otherwise suffer adverse tax consequences, and in each such case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it, ((i) and (ii) above each a “**Tax Event**”).

A “**Capital Disqualification Event**” will be deemed to have occurred if as a result of any replacement of or change to (or change to the interpretation by any court or authority entitled to do so of) the Relevant Rules the entire principal amount of the Notes then outstanding is fully excluded from counting as Tier 2 Capital for the purposes of the Issuer or the Group, whether on a solo, group or consolidated basis, except (in any case) where such non-qualification is only as a result of any applicable limitation on the amount of such capital. See Conditions 6(e).

A “**Rating Methodology Event**” will be deemed to occur upon a change in methodology of any Rating Agency (or in the interpretation of such methodology) as a result of which the equity content assigned by such Rating Agency to the Notes is, in the reasonable opinion of the Issuer, materially reduced when compared with the equity content assigned by such Rating Agency to the Notes on or around the Issue Date. See Condition 6(f).

Substitution and Variation

The Issuer may, subject to certain conditions and upon notice to Noteholders, at any time elect to substitute the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), (in the case of a Tax Event or a Capital Disqualification Event) Qualifying Tier 2 Securities or (in the case of a Rating Methodology Event) Rating Agency Compliant Securities if, immediately prior to the giving of the relevant notice to Noteholders, a Tax Event, Capital Disqualification Event or Rating Methodology Event has occurred and is continuing.

Additional Amounts

Payments on the Notes will be made without deduction or withholding for or on account of any tax imposed by any Taxing Territory, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is required by law, the Issuer will pay such additional amounts as shall be necessary in order that the amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes, as the case may be, in the absence of the withholding or deduction (“**Additional Amounts**”), subject to some exceptions, as described in Condition 8.

Events of Default and Enforcement

If default is made for a period of 14 days or more in the payment of any interest due (including, without limitation, Arrears of Interest) or principal due in respect of the Notes or any of them, the Trustee in its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 10(d)) institute proceedings for the winding-up of the Issuer and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer for such payment, but may take no further or other action to enforce, prove or claim for any such payment. No payment in respect of the Notes or the Trust Deed may be made by the Issuer pursuant to Condition 10(a), nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received consent or non-objection (if required) from, the Relevant Regulator which the Issuer shall confirm in writing to the Trustee.

Form and Denomination

The Notes will be issued in registered form and represented upon issue by a registered global certificate which will be registered in the name of a nominee for a common depository for Clearstream Banking SA and Euroclear Bank SA/NV. Save in limited circumstances, definitive Certificates will not be issued in exchange for interests in the registered global certificate.

The Notes will be issued in denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

Listing

Application has been made for the Notes to be admitted to the Official List of the UKLA and for the Notes to be admitted to trading on the London Stock Exchange's regulated market.

Ratings

The Notes are expected to be rated Baa1(hyb) by Moody's Investors Service Ltd. and BBB+ by Standard & Poor's Credit Market Services Europe Limited.

Governing Law

The Notes and the Trust Deed, and any non-contractual obligations arising out of or in connection therewith, will be governed by and construed in accordance with English law, save that the provisions of Condition 3 (and the related provisions of the Trust Deed) relating to the status and subordination of the Notes shall be governed by and construed in accordance with Scots law.

Risk Factors

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All 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.

Any of these risk factors, individually or in the aggregate, could have an adverse effect on the Issuer or the Group and the impact each risk could have on the Issuer or the Group is set out below.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

RISKS RELATING TO THE GROUP

Strategic Risks

Sustained underperformance across a range of funds or by one or more of the Group's larger funds could adversely affect profitability and growth.

Any sustained period of actual or perceived underperformance across a range of the Group's funds or by one or more of its larger funds, relative to peers, benchmarks or internal targets, could have a material adverse effect on the Group's business, reputation and brand, sales, financial results, financial condition and growth prospects.

Were the Group to fail to provide satisfactory investment returns across a range of its funds or in respect of one or more of its larger funds, customers and clients of the affected funds (or customers and clients more generally) may decide to reduce their investments or withdraw them altogether and intermediaries, who are the Group's distributors of products or consultants, may cease to recommend some or all of these products to their clients or consultant ratings may deteriorate. Due to the active management philosophies employed by the Group, the performance of one or more portfolios may vary materially where an underlying asset class or asset underperforms significantly, in particular where the relative concentration of that particular asset class or asset is relatively high. The underperformance of particular asset classes or assets could have a disproportionate impact on the overall profitability of the Group. Actual or perceived investment underperformance relative to competitors or relevant benchmarks would also make it more difficult for the Group to attract new clients and could lead to reputational and brand damage or challenges to the fees charged. Any such investment underperformance could, therefore, have a material adverse effect on the Group's business, reputation and brand, sales, financial results, financial condition and growth prospects.

Difficult conditions in the global capital markets and the global economy generally may materially adversely affect the Group's business and financial results.

The Group's results may be materially adversely affected by conditions in global capital markets and the economy generally. A wide variety of factors including concerns over low levels of growth in developed and emerging economies and corporate profits, high levels of sovereign debt, a deterioration in inflation expectations and long-term low or negative interest rates and bond yields have led to ongoing uncertainty in the global economy, which is expected to result in continued volatility in financial markets and market or trading liquidity. The trade, tax and immigration policies of the current U.S. administration could also lead to major changes in global trade flows, which in turn could have a material impact on the global economy, or volatility or decline in capital markets or particular asset classes, which could reduce the demand for or value of investment assets.

Factors such as consumer spending, business investment, government spending, the volatility and strength of both debt and equity markets, and inflation all affect the business and economic environment and, ultimately, the volume and profitability of the Group's business. In an economic downturn characterised by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for financial products could be adversely affected.

Continued economic uncertainty and volatility may have an adverse effect on the Group, in part because it manages large investment portfolios and is affected by customer and client behaviour and the performance of capital markets. This could lead to a decline in sales or fees related to the value of assets under management and profit margins could erode. In addition, the Group may experience a decline in the value of assets under management which are exposed to particular economies or sectors should there be a decline or depression in such economies or sectors.

The Group may also experience, for example, cancellation of policies and products and termination of clients that could affect the current and future profitability of the business. A prolonged economic crisis could result in lower fees or sales figures for the Group in the future. These adverse changes in the economy could affect earnings negatively and could have a material adverse effect on the Group's business, financial results and financial condition.

The Group's businesses are conducted in highly competitive environments with developing demographic trends and customer and client preferences towards savings and investment. Continued profitability is dependent on the ability of the management of the Group to respond to these pressures and trends.

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

retaining customers and clients going forward, the Group will need to ensure that its products keep pace with emerging customer and client preferences and continue to meet customers' and clients' needs and expectations.

The continued evolution of the UK pensions and savings market, particularly the impact of pensions freedoms, means that the Group will need to provide customers with the flexible long-term investment solutions that they are increasingly looking for. In the asset management sector, growth in passively-run index trackers continues to gain pace, propelled by the U.S. market and the inability of many active strategies to consistently outperform their benchmarks, net of fees. Market access to passive investing, including strategies driven by smart beta, robo advice, artificial intelligence and machine learning, is cheap and ubiquitous through passive funds and exchange-traded products and therefore poses a risk to the investment styles of the Group which are characterised predominantly by active management of funds. In recent years, active fund managers have been subject to pressure on the fees charged to customers and clients for fund management as a result of a number of factors including regulatory pressures, the growth of lower cost passive funds and competition.

In addition to changing trends in the nature of investments, the customer and client base of the Group's business is changing. For example, although historically the Group's clients have consisted predominantly of pension funds, government authorities, insurance companies, private banks and financial advisers, there has been an increase in individuals as clients, who are predominantly intermediated, particularly in relation to wealth management and asset management services. This increase means that the Group may need to tailor its business offerings towards individuals who demand immediacy, simplicity, transparency and personalisation in order to remain competitive, as well as meeting the needs of other customers and clients.

Furthermore, as client bases and preferences evolve, the Group is exposed to the risk of large sovereign wealth funds, insurers, banks and larger institutions removing assets from third party managers, taking capabilities in house, moving funds elsewhere or having to redeem funds (for example, to fund their own expenditure or meet their own payment obligations to their own stakeholders).

The Group's ability to generate an appropriate return depends significantly upon its capacity to anticipate and respond appropriately to these competitive pressures.

Exposure to global political developments, including the UK's withdrawal from the EU, the uncertainty surrounding the global impact of changes in U.S. policy under the current administration and a potential future second independence referendum in Scotland could have a material adverse effect on the Group.

Political change has the potential to impact the businesses of the Group through the introduction of new laws or regulations or indirectly by altering investor, customer and client sentiment. The UK and Scottish governments, and also governments in other markets in which the Group operates may significantly alter circumstances and change the way business is carried out.

Specific global political risks to which the Group is exposed include instability within the Eurozone, the UK leaving the EU, a potential second future independence referendum in Scotland and uncertainty as to the global impact of the current administration in the U.S.

The UK has triggered Article 50 to begin the process of leaving the EU and detailed negotiations are now taking place to determine the future terms of the UK's relationship with the EU but the long-term nature of the UK's relationship with the EU remains unclear. The long-term effects of the UK leaving the EU will depend on any agreements (or lack thereof) between the UK and the EU and, in particular, on any arrangements for the UK to retain access to EU markets either during a transitional period or more permanently. As a result, the Group may need to take mitigating action, or to change parts of its business.

As set out in more detail in the section headed "*Regulatory Overview*", the Group includes a number of financial institutions authorised and regulated in the UK. The regulatory environment that applies to such entities is in large part derived from EU financial services legislation. While the UK is currently required to implement and apply such legislation, this may no longer be the case following its departure from the EU. This may have a significant impact on UK financial services legislation and the regulatory environment in which the Group operates. In turn, this may have a material effect on the business of the Group.

It is also not yet clear how the UK's departure from the EU will affect UK financial institutions with assets or operations (including branches) in the EU (and vice versa). At present, EU legislation grants passporting rights to certain categories of financial institution, including insurers, investment firms, UCITS management companies (as defined in AIFMD, as defined below) and AIFMs (as defined in AIFMD). EU legislation also facilitates mutual rights of access to EU market infrastructure such as payment and settlement systems. Once the UK ceases to be a member state of the EU, the current passporting arrangements may cease to be effective, as may the current mutual rights of access to market infrastructure. The Group contains a number of entities that rely on such passporting arrangements and market infrastructure (including in Ireland, Germany, Sweden and Norway). As such, the UK's departure from the EU may have an adverse effect on the operating model and business of the Group.

Following the UK's vote to leave the EU, investors sought to withdraw funds from a number of funds that invest in the UK property market, including the Aberdeen UK Property Fund and the Standard Life Investments UK Real Estate Fund. There is a risk that the UK's departure from the EU, other political developments or developments otherwise affecting market confidence may again affect investor appetite for the assets in which funds managed by the Group invest and may lead to outflows from those funds. This could have an adverse effect on the liquidity of those funds and, more generally, on the profitability of the Group.

Scotland's First Minister has called for a second referendum on Scottish independence from the rest of the UK. On 27 June 2017, the First Minister confirmed that the Scottish government would not seek to introduce legislation for a referendum immediately, but indicated that a proposal would be placed before the Scottish Parliament likely around autumn 2018. It is uncertain whether any such referendum will in fact occur, what the outcome would be, and, if a referendum occurred and Scotland voted to leave the UK, what Scotland's future relationship with the rest of the UK and the EU would be. The consequences of a potential future referendum on the Group's business are therefore uncertain.

The impact of the current difficult political environment is uncertain, particularly in view of the UK's exit from the EU, the uncertainty surrounding the global impact of the potential changes in U.S. policy following the recent change in government there, and a potential future independence referendum in Scotland. However, it is possible that the effects will include further financial instability and slower economic growth, currency fluctuations and could include higher unemployment and inflation in the UK, continental Europe and the global economy, at least in the short to medium term. It could also create constraints on the ability of the Group to operate efficiently in the future political environment. All or any combination of the foregoing could have a material adverse effect on the Group's business, financial condition and financial results.

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

The Group offers products and services in the UK and Europe, North America, the Asia Pacific region and elsewhere around the world, through wholly-owned and majority-owned subsidiaries and joint ventures and companies in which they hold non-controlling equity stakes. The Group's international operations expose it to different local political, regulatory, business and financial risks and challenges which may affect the demand for its products and services, the value of its investment portfolio, the credit quality of local counterparties, revenue, profits and the financial condition and capital requirements of the Group. These risks include, for example, political, social or economic instability in countries in which the Group operates, discriminatory regulation, credit risks of local borrowers and counterparties, lack of local business experience in certain markets, risks associated with exposure to insurance industry insolvencies through policyholder guarantee funds or similar mechanisms set up in local and foreign markets and, in certain cases, risks associated with the potential incompatibility with partners, especially in countries in which the Group conducts business through entities it does not control.

The Group may also face financial or other exposure in the event that any third party fails to meet its obligations under a relevant agreement or encounters financial difficulty. For example, a considerable proportion of product distribution for the Group is carried out through arrangements with third parties in a variety of markets. A temporary or permanent disruption to these distribution arrangements could affect the Group's financial condition.

The Group's customers or clients may withdraw assets under management at short notice.

The Group's revenues are predominantly derived from management fees, the quantum of which is based on the value of assets under management. A high proportion of the Group's funds or client contracts permit investors or clients to reduce the aggregate amount of their investment with no, or only short periods of, notice, or to withdraw altogether from such funds or contracts. If interest rates are rising and/or stock markets are declining and/or the Group's investment performance underperforms, the pace of fund redemptions could accelerate. Redemptions of investments in funds may also be requested more quickly than assets can be sold to meet such redemptions, especially in funds where the underlying assets are less liquid. This could result in redemptions being suspended (or other mitigating mechanisms), which would in turn adversely affect the Group's reputation and brand.

Material withdrawals of assets under management due to termination of one or more large investment mandates or the termination of many smaller investment mandates would have an immediate impact on management fees and therefore revenues (as withdrawals can generally be effected on short notice) and, depending on the extent of such withdrawals, could have a material adverse effect on the Group's business, financial results, financial condition and growth prospects.

Changes in client relationships and distribution trends may have a material adverse effect on the Group's margins.

The Group's asset management business distributes its asset management products primarily through wholesale distributors and platforms, institutional clients, strategic partners, associates and wholly-owned or third party platforms. Financial advisers using the Group's platforms may choose to move assets away from those platforms due to a lack of confidence in the Group, a lack of support for the actual or perceived strategic and business priorities of the Group or otherwise. Any change to or termination of client relationships or relationships with particular intermediaries or platforms could have a material adverse effect on the business, sales, financial results, financial condition and growth prospects of the Group.

The asset classes underlying the funds and portfolios managed by the Group may become less attractive to investors. Conversely, demand for a fund could exceed the available capacity of that fund or portfolio.

The Group manages its investments in a range of asset classes, most notably equities, fixed income, multi-asset and real assets, and its investment style and philosophy is to be an active manager of its funds. Sales of the Group's funds are, in part, determined by the relative attractiveness to investors of these asset classes and of the particular types of assets that are the focus of their funds, as well as their investment style. In the event that these asset classes, or particular types thereof on which the Group focuses, were to become less attractive to investors or were there to be a further significant shift towards investors investing through passive or index-based investment products rather than investing in the funds managed by the Group, there may be reduced sales and/or increased redemptions from such funds, particularly where such funds have a concentration of a particular asset class. If, as a result of the foregoing, there were reduced sales of and increased redemptions from the Group's funds, such developments could have a material adverse effect on its business, sales, financial results, financial condition and growth prospects.

Conversely, demand for a particular fund could increase if the relative attractiveness to clients of the underlying asset classes or the investment style of the particular fund increases. If client demand exceeds the available capacity of a particular fund, this may lead to operational problems with the fund and the Group may need to restrict entry of further clients to that fund. Operational problems with a fund or a need to restrict entry of clients to certain funds may have an adverse impact on the revenues or reputation of the Group.

The Group is exposed to longevity risk in its life insurance business.

The Group is exposed to longevity risk on annuity contracts held by its customers in the UK and Europe and on contracts held in participating and non-participating funds by its customers in the

UK, Europe and Asia and the emerging markets in which the Group operates. This includes annuity contracts where an income is paid to a customer for their life, and potentially the life of a dependant, and certain contracts which contain guaranteed income features and which may be invested in unit-linked funds or in the Group's with-profits business. In November 2016, the Group took the decision to restrict annuity sales in the UK to existing customers only.

A strengthening in the longevity assumptions used to calculate long-term business liabilities would result in an increase in the respective reserves. Inevitably, there remains uncertainty about the development of future longevity. The Group's future longevity assumptions are based on industry-wide historical data and its own mortality experience, with an allowance for improvements in future mortality. Should mortality improvement rates significantly exceed the improvement assumed or if there is an expectation of greater improvements due to significant advances in medical treatment for certain health conditions, the Group could be exposed to significant increases in liabilities under annuity contracts to the extent that these liabilities have not been reinsured or otherwise hedged.

The Group is exposed to the risk of incorrect assumptions made in the management of its life insurance business.

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

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

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

The Group's success and results will be, to a certain extent, dependent on the strength of its brands and reputation. While the Group is well recognised, it is vulnerable to adverse market, customer and client perception. The Group operates in an industry where integrity, trust and confidence are paramount. The Group is exposed to the risk that litigation, employee misconduct,

operational failures, the outcome of regulatory investigations, press speculation and negative publicity, disclosure of confidential client information, and inadequate services, among other factors, whether or not well founded, could impact its brands or reputation.

Any of the Group's brands or reputation could also be affected if it (or any intermediaries) recommend products or services that do not perform as expected (whether or not the expectations are well founded) or in line with the customers' or clients' expectations for the product range.

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

Rating agencies assign ratings based upon several factors. While most of the factors relate to the rated company, some of the factors relate to general economic conditions and circumstances outside the rated company's control. The Group cannot predict what actions rating agencies may take, or what actions may be taken in response to the actions of rating agencies, which could adversely affect the Group's business. As with other companies in the financial services industry, the ratings could be downgraded at any time and potentially without any notice by any rating agency. A downgrade may adversely affect the ability to market products and retain existing customers and clients, which may negatively impact new sales and adversely affect the ability to compete and, thereby, have an adverse effect on the Group's business, financial results and financial condition. In addition, the interest rates paid on borrowings and the financial flexibility of the Group may be affected by its credit ratings.

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

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

The Group needs liquidity to pay operating expenses, dividends on ordinary shares, interest on any debt and to meet other liabilities. The principal sources of liquidity of the Group are fees related primarily to the value of assets under management, insurance premiums and cash flow from the investment portfolio and assets held for the account of the business, consisting mainly of cash or assets that are readily convertible into cash. Sources of liquidity in normal markets may include a variety of short-term and long-term instruments, including repurchase agreements, commercial paper, medium-term and long-term debt, junior subordinated debt securities, capital securities and shareholders' equity. The Group may not have access to all of these short-term and long-term instruments.

If existing resources do not satisfy the Group's needs, it may have to seek additional financing. The availability of additional financing will depend on a variety of factors, such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, the Group's credit ratings and credit capacity, as well as the possibility that customers, clients or lenders could develop a negative perception of the Group's long-term or short-term financial prospects if it incurred large investment losses or if the level of business activity decreased due to a market downturn. Internal sources of liquidity may

prove to be insufficient, and in such case, the Group may not be able to successfully obtain additional financing on favourable terms, or at all.

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

The Group operates in a number of markets, including through joint ventures and other arrangements with third parties, which involve certain risks that it does not face with respect to its consolidated subsidiaries.

The Group has material interests in joint ventures in certain markets including, in particular, India and China. For such joint venture operations, the Group does not always have a controlling stake in the joint ventures, as the other venture participants have certain rights and controls. The level of control exercisable by the Group depends on the terms of the joint venture agreements and local laws regarding, in particular, the allocation of control among, and continued co-operation between, the joint venture participants. Some of these joint venture arrangements require third party partners to participate in and provide capital to the joint venture. These partners may change their strategic priorities or encounter financial difficulties preventing them from providing the necessary capital to promote future growth. The Group's rights under the joint venture agreements are also dependent upon such joint venture agreements remaining in force. These may fall away in certain circumstances, for example following an initial public offering.

In particular, the Group has associate and joint venture businesses in India through HDFC Life and HDFC Asset Management and in China through Heng An Standard Life, which offer insurance and savings products to customers in those jurisdictions. The Group is subject to financial exposure if any of these businesses were to underperform or if there were to be related regulatory issues. In limited prescribed circumstances, the Group may also be subject to the dilution of its interest in these businesses and so the reduction of control. In connection with the Group's associate businesses in India, there is a risk that the proposed initial public offering for HDFC Life does not complete. Any of the foregoing may have an adverse effect on the financial condition and profitability of the Group.

Recent or further acquisitions, disposals or material lines of new business may divert management attention and other resources and involve risks of undisclosed liabilities and integration issues.

In recent years the Group has acquired businesses and has started new businesses (for example, the Group's 1825 business, which has since been expanded by acquisition). Further acquisitions, disposals and other corporate transactions and the establishment and development of new businesses may take place in the future, and/or those in progress may not reach a successful conclusion. Growth by acquisition involves risks that could adversely affect the Group's operating

results, including undisclosed liabilities in the acquired entity (such as historic mis-selling) and the substantial amount of management time that may be diverted from operations to pursue and complete acquisitions, disposals and other corporate transactions. Further risks include the risk that new businesses will not perform as expected and that financial and management resources, over and above what was initially expected, might be required to ensure a successful acquisition, disposal, other corporate transaction or new business. The Group's acquisitions could also result in the incurrence of additional indebtedness, costs, contingent liabilities, and impairment and amortisation expenses related to goodwill and other intangible assets, all of which could materially adversely affect the Group's business, financial condition and financial results. The Group may also finance future acquisitions with debt issuances or by entering into credit facilities, each of which could adversely affect the Group's business, financial condition and financial results. There could be unforeseen liabilities that arise out of the businesses that the Group has acquired and that the Group may acquire in the future, which may not be covered by, or exceed, the amounts of any indemnities provided to the Group by the relevant sellers.

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

A significant proportion of the Group's maintenance costs are associated with staff remuneration. If such costs are not controlled within the inflationary environment, the profitability of the Group may be impacted. In addition, significant increases in inflation could impact the Group's unit costs in other ways and potentially impact on profitability.

Changes in short or long-term inflation may increase the size of the Group's payments and expenses and reduce the value of the Group's investments.

The Group is subject to inflation risk through its holdings of fixed interest and other investments and as a result of the potential for the cost of claims and expenses to rise faster than anticipated in their respective pricing or reserving. Changes in inflation could also affect the value perceived to be offered by the Group's policies and so adversely affect persistency levels.

There are inherent risks associated with participations in defined benefit staff pension schemes.

The Group operates defined benefit and defined contribution schemes for employees and former employees.

The Group currently operates funded occupational defined benefit pension schemes for its employees in the UK and Ireland. In April 2016, the UK scheme (the "**Standard Life UK DB Scheme**") was closed to future accrual on a defined benefit basis, with future accrual thereafter on a defined contribution basis. In addition, the Group operates a small unfunded defined benefit plan for employees in Germany. The Group previously operated an occupational defined benefit pension scheme in Canada, however, all assets and liabilities relating to that plan were transferred out of the Group as they were included in the sale of the Canadian business which completed on 30 January 2015. The assets of each scheme are held in independently administered funds, separate from those of the Group.

The Group also operates a small number of other legacy defined benefit schemes including: the Murray Johnstone Limited Retirement Benefits Plan, the Edinburgh Fund Managers Group plc Retirement & Death Benefits Scheme (both UK schemes) and the DEGI Pension Plan (which is a German scheme) (the “**Aberdeen DB Schemes**”). These defined benefit schemes, which were inherited on completion of various acquisitions by Aberdeen, are closed to new membership and to future service accrual. The schemes’ investments are managed by a fund manager within the Group.

The Group’s principal form of pension provision is now by way of defined contribution schemes operated worldwide.

As at 31 December 2016, the Standard Life UK DB Scheme was reported as having assets of £4,927 million and liabilities of £3,207 million on an IAS19 basis. After adjustments, primarily to reflect tax that would be paid by the Group following a refund of surplus, the reported IAS19 surplus was £1,093 million. The Aberdeen DB Schemes’ (including the Murray Johnstone Limited Retirement Benefits Plan, the Edinburgh Fund Managers Group plc Retirement & Death Benefits Scheme and the DEGI Pension Plan) net accounting deficit was £42.5 million as at 31 March 2017.

There are inherent risks associated with defined benefit schemes. A variety of events could result in a material deterioration in the strength of the schemes in respect of funding, IAS19 and other valuation bases. In some cases, a deficit between the pension scheme’s assets and liabilities could develop or increase and this could lead to the need for additional contributions to be paid.

Factors that affect the position of the schemes include: investment performance of the scheme’s assets; contributions; assumption changes; and experience relative to the assumptions. Changes in fixed income, credit, equity, property, derivative and other markets may impact both the value of scheme assets and the value placed on scheme liabilities. Other changes in market conditions, the economic environment (such as inflation), demographics (including, but not limited to, member longevity) and the choices of scheme members can also impact the financial position of the schemes. Additionally, the strength and reported position of each scheme could be affected by applicable changes in regulation and legislation and relevant changes in financial reporting standards, guidance and interpretation.

Following a material change in the financial standing of a scheme, appropriate action would be agreed with the trustees. Upon a funding deficit arising, this may require a funding plan to be agreed to make good the deficit over a period of time, but could also include a range of other actions to manage the liabilities. The funding position of the schemes and the requirement to make contributions into the relevant schemes are reviewed regularly as required by the regulator. The financial position of the defined benefit pension schemes may affect the Group’s financial performance and financial statements.

Where a surplus exists on a regular basis, there is a risk that expectations about relevant parties’ entitlement to, and their ability to secure, a refund of surplus are subsequently found not to be accurate.

The Group may experience a reduced demand for individual annuities in the UK as a result of recent and possible further changes in UK law. Further, it is difficult to predict what the

future balance between annuities and alternative products will be and how further changes could alter the characteristics of alternative products.

The Group has experienced a reduced demand for individual annuities in the UK due to recent changes in UK law. Individual annuities have historically played a central role in most UK pensioners' post-retirement financial arrangements with defined contribution pension contracts (and their subsequent annuity purchase) offering a tax efficient method of saving for retirement.

New legislation that took effect from April 2015 has given retirees greater flexibility in accessing defined contribution pensions at retirement. Under the new legislation, inter alia, consumers approaching retirement have the freedom to take their whole pension pot as cash (the first 25 per cent. remaining tax free, with the balance taxed at the individual's marginal rate).

Subsequent to the UK government's announcement of its intention to pass the new legislation in March 2014 and its coming into effect in April 2015, sales of individual annuities have been and continue to be materially adversely impacted, and there continues to be uncertainty over the longer-term impact, in particular with the possibility that the UK government might further liberalise the restrictions on customers accessing their pension funds on retirement adversely impacting sales of individual annuities.

In response to this drop in demand, the Group announced in November 2016 that it would close some of its annuity products and would withdraw from the UK annuities open market and only offer annuity products to existing Group customers. It remains too early to assess the extent to which the impact of the UK pension reforms on the Group can be mitigated by the substitution of annuity sales with alternative products.

Financial Reporting Risks

The determination of the amount of allowances and impairments taken on investments is highly subjective and could materially impact the Group's financial results or financial position. If the Group's business does not perform well, it may be required to recognise an impairment of goodwill or intangibles, which could adversely affect the Group's financial results or financial condition.

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

Goodwill represents the excess of amounts paid to acquire subsidiaries and other businesses over the fair value of their net assets at date of acquisition. The Group tests goodwill and

intangible assets with indefinite useful lives at least annually for impairment or when circumstances indicate there may be uncertainty over this value. The Group tests intangibles with finite lives when circumstances or events indicate there may be uncertainty over this value. Goodwill is allocated to cash-generating units for impairment testing.

Recoverable amounts are impacted by the performance of the business. Goodwill and intangible assets are written down for impairment where the recoverable amount is insufficient to support its carrying value. Additional goodwill and intangibles created by the Merger are similarly exposed to being written down for impairment. Such write-downs could have a material adverse effect on the Group's financial results or financial condition.

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

The Group values FV securities using designated methodologies, estimations and assumptions. These securities, which are reported at fair value on the consolidated statement of financial position, represent the majority of the Group's total cash and invested assets. The Group has categorised the measurement basis for assets carried at fair value into a 'fair value hierarchy' in accordance with the valuation inputs and consistent with International Financial Reporting Standard ("IFRS") 7 Financial Instruments: Disclosures. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1); the middle priority to fair values other than quoted prices based on observable market information (Level 2); and the lowest priority to unobservable inputs (Level 3). The majority of the Group's financial assets are valued based on quoted market information or observable market data. At 31 December 2016, 7.0 per cent. of the Standard Life Group's total financial assets at fair value were classified as Level 3, amounting to £12,059 million. As at 31 March 2017, 3 per cent. of the Aberdeen Group's total financial assets at fair value were classified as Level 3, amounting to £51 million. Where estimates were used for inputs to Level 3 fair values, these were based on a combination of independent third party evidence and internally developed models, calibrated to market observable data where possible. An asset's or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation.

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

significantly. Decreases in value may have a material adverse effect on the Group's financial results or financial condition.

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

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

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

Risks relating to the Merger

Following the Merger, the Group's success is dependent upon the ability of its leadership to integrate the two businesses without material dis-synergies; there will be numerous challenges associated with the integration and the synergies expected from the Merger may not be fully achieved.

The operations of the Standard Life Group and the Aberdeen Group will continue to be integrated to form the combined operations of the Group over a period of approximately three years from completion of the Merger. To the extent that the leadership of the Group is unable to efficiently integrate the operations (including general business processes, investment processes and human resources), culture and philosophy, realise cost reductions, retain qualified personnel, retain customers and clients and avoid unforeseen costs or delay, there may be an adverse effect on the business, financial results and/or the financial condition of the Group. Unanticipated events or liabilities may arise that result in a delay or reduction in the benefits derived from the transaction, or in costs significantly in excess of those estimated. Therefore no assurance can be given that the integration process will deliver all or substantially all the expected benefits or realise such benefits in a timely manner or at all.

The Group will encounter numerous integration challenges as a consequence of the Merger and may identify unanticipated risks as a result of the application of the risk management processes. Following completion, the Group's management and resources may be diverted from its core business activities due to personnel being required to assist in the integration process. The

integration process may lead to an increase in the level of operational risk events such as administrative errors. A decline in the service standards of the Group may result in an increase in customer or client complaints and customer, client and/or regulatory actions, which may lead to reputational damage and the loss of customers, clients and/or distributors by the Group and have an adverse impact on financial performance and condition.

There will inevitably be a cost involved in revising the current systems and structures of the Group following completion of the Merger. There is a risk that these costs could exceed current estimates, which would adversely affect anticipated integration benefits.

During the integration period following completion of the Merger, the Group may not be in a position to acquire other insurance and/or asset management-related targets that it might otherwise have sought to acquire, or enter into any other corporate transaction (including any merger or disposal) that it might otherwise have sought to. In view of the demands the integration process may have on management time, it may also cause a delay in other projects currently contemplated by the Group.

The continued success of the Group will be dependent on the successful integration of the cultures and philosophies (including the corporate culture and internal work culture) of the Standard Life Group and the Aberdeen Group. A failure to reconcile any differences in those cultures could have an adverse impact on the reputation of the Group, the service standards of the Group, the motivation and work output of the existing employees, retention of customers, clients and employees by the Group or the Group's ability to attract new customers, clients and employees.

The ability of the Group to retain and grow the combined business and realise the other anticipated benefits and synergies is dependent on third parties such as customers, clients, consultants, investment advisers and employees being supportive of both the Merger and the strategic and business priorities of the Group. Customers, clients and distributors may elect to reduce their exposure to the Group in response to the Merger, particularly in light of the aggregation of positions across the Group, or to maintain rather than grow their current exposure pending further clarity on the effects of the Merger. Similarly, investment may be deterred if consultants or investment advisers make neutral or unfavourable recommendations as a consequence of the Merger. Dis-synergies may also arise if there is an unfavourable reaction to any branding adopted by the Group or the actual or perceived strategic and business priorities of the Group.

Under any of these circumstances, the business growth opportunities, consolidation benefits, purchasing and distribution benefits and other synergies anticipated by the Group to result from the Merger may not be achieved as expected, or at all, or may be delayed materially. To the extent that the Group incurs higher integration costs or achieves lower synergy benefits than expected, its financial results, financial condition and/or prospects may be adversely affected.

Risk of termination of existing Group contracts following the Merger.

The Group is party to a number of contracts which are important to the operations of its businesses, including partnership agreements, investment management agreements and outsourcing agreements. Counterparties who are not supportive of the Merger may choose to

exercise certain rights in these contracts or which otherwise arise by operation of law (for example, rights to terminate in the event of a change of control or to enforce obligations for the Group relating to exclusivity undertakings in particular businesses or markets), which may result in adverse consequences for the Group.

The Group is party to various agreements with Lloyds Bank plc (“**Lloyds**”), which may allow Lloyds to exercise termination rights (if applicable) as a consequence of the Merger and/or make certain material unscheduled withdrawals of assets. However, Lloyds has agreed to delay making a decision in relation to the exercise of such termination rights or withdrawals until six months from the date of completion of the Merger. If Lloyds elects to exercise any such applicable termination rights or make such withdrawals, this may have an adverse effect on the financial position of the Group.

Regulation and Legislation Risks

The Group’s businesses are subject to regulatory risk, including adverse changes in the laws, regulations, policies and interpretations in the markets in which they operate.

The Group will not always be able to predict accurately the impact of future legislation or regulation or changes in the interpretation or operation of existing legislation or regulation on its business, financial results and/or financial condition. Changes in government policy, legislation or regulatory interpretation applying to companies in the financial services and insurance industries in any of the markets in which the Group operates, which may be applied retrospectively, may adversely affect the Group’s product range, distribution channels, capital requirements and, consequently, results and financing requirements. Such changes could include, for example, alterations to the regulatory framework for pension arrangements and policies or the regulation of selling practices and solvency requirements. The Group may face increased compliance costs due to the need to set up additional compliance controls or the direct cost of such compliance because of changes to financial services legislation or regulation. The Group faces significant compliance challenges because the regulatory environment is evolving rapidly and supervisory authorities around the world are assuming an increasingly active and assertive role in interpreting and enforcing regulations in the jurisdictions in which the Group operates. For example, in the UK the regulator has, in recent years, had an increased focus on the way in which financial services providers provide investment advice and/or sell and administer insurance policies, investment funds and other financial products.

The Group’s regulated business is subject to extensive regulation both in the UK and internationally.

The Group is subject to detailed and comprehensive regulation in each of the jurisdictions in which it conducts business. Likewise, some of the investment vehicles it services (such as UCITS funds operated under the UCITS Directive) also have to satisfy various regulatory requirements in order to be authorised for distribution in some jurisdictions. Regulatory agencies have broad regulatory and administrative power over many aspects of the financial services business, which may include governance, systems and controls requirements, conduct of business requirements (including marketing and selling practices, advertising, customer and client documentation and service standards), market conduct, product authorisation and governance, the licensing of agents, capital adequacy, permitted investments and premium rates. Regulators are concerned primarily

with financial stability, market integrity and the protection of customers rather than shareholders or creditors. Financial services laws, regulations and policies currently affecting the Group (and the financial products that they manufacture) may change at any time in ways that could have an adverse effect on the Group's business. Furthermore, it is difficult to predict the timing or form of future regulatory initiatives, although it is widely expected that there will continue to be a substantial increase in the regulation and supervision of the financial services industry.

In the UK, the Group's business is subject to regulation by the FCA and the UK Prudential Regulation Authority (the "PRA"). The FCA and the PRA have broad powers, including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation, to investigate marketing and sales practices and to require the maintenance of adequate financial resources. The FCA and the PRA have the power to take a range of investigative, disciplinary or enforcement actions, including public censure, restitution, fines or sanctions and to award compensation. The FCA or the PRA may make enquiries of the companies that they regulate regarding compliance with regulations governing the operation of business and, like all UK regulated financial services firms, the Group faces the risk that the FCA or the PRA (as applicable) could find that they have failed to comply with applicable regulations or have not undertaken corrective action as required.

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

In the UK, any such issues or disputes arising in relation to private individuals are typically resolved by the Financial Ombudsman Service (the "FOS"), or by litigation. The relevant regulator may intervene directly, however, where larger groups or matters of public policy are concerned. There have been several industry-wide financial product mis-selling issues in recent years in which the regulator in the UK has intervened directly, including the sale of personal pensions, the sale of mortgage-related endowments and investments in split capital investment trusts. Certain designated consumer bodies are also empowered under FSMA to make "super-complaints" to the FCA in relation to issues causing detriment to large numbers of consumers.

The FCA has recently conducted a number of thematic reviews and market studies of the annuity and retirement income market. These include a thematic review into the sale of non-advised annuity sales practices which was published in October 2016. The FCA's review looked at more than 1,200 non-advised sales made by seven firms, including Standard Life Assurance Limited ("SLAL"), a subsidiary within the Group, between May 2008 and April 2015. As a result of this investigation, the FCA has asked SLAL to conduct a review of all non-advised annuity sales from July 2008 to identify whether its customers received sufficient information about enhanced annuities to make the right decisions about their purchase. For further details, see "*The Group is currently undertaking a review of its non-advised annuity sales practices*" below.

Following a market study by the Office of Fair Trading ("OFT") and the Department of Work and Pensions ("DWP"), since April 2015, a 0.75 per cent. charge cap has come into effect on auto-enrolment schemes. The cap covers member borne deductions which include all charges on member savings other than transaction costs. Other measures arising out of the recommendations from the OFT and DWP's market study are likely to be implemented in coming years, but how these will be implemented remains uncertain. The extent of the measures,

including the impact of the charge cap on providers of workplace pensions, together with any requirement to remove commission payments, remain uncertain and the industry response to these measures could have a range of possible impacts on the Group's trading and financial performance.

The FCA is currently conducting a retirement outcomes review to explore whether competition is working effectively in the UK retirement income market following the introduction of the UK's pension market reforms. The FCA published its interim findings in July 2017. The findings identified several emerging issues in the retirement income market and identified a range of possible measures to address some of these issues, including assessing whether additional protections should be put in place for consumers who buy drawdown without advice, improving competition in non-advised drawdown and helping consumers understand their options after the pension freedoms and improve trust in pensions. The FCA intends to conclude its retirement outcomes review and publish its final report in the first half of 2018. Any measures introduced as a result of the retirement outcomes review could impact the business of the Group.

The FCA also recently conducted a market study into the asset management sector. The FCA published its final findings in June 2017 along with a consultation paper. The findings identified several ways in which asset management products and services could work better for retail and institutional investors and proposed certain remedies to address this. In particular, the FCA expressed concerns about the level of fees and performance in the management of funds and is consulting on various remedies to help provide better protection for investors and to drive competitive pressure on asset managers. As a result, measures might be taken that could affect the pricing of funds, which could in turn affect the profitability of the Group. The FCA also expressed concerns about the investment consultancy market and, as a result, the FCA intends to recommend that the Treasury considers bringing investment consultants into the regulatory perimeter and to launch a market study into investment platforms. The FCA is also consulting on whether to make a market investigation reference to the Competition and Markets Authority ("**CMA**") in relation to the investment consultancy market. Any remedies introduced as a result of any resulting CMA market study could have an impact on the Group. More generally, the implementation of any remedies introduced as a result of the asset management market study could impact the asset management businesses of the Group.

The FCA's interim report on the asset management market study also identified a number of potential competition issues in the investment platforms market. In its business plan for 2017/18, the FCA announced that it will conduct a market study to consider how 'direct to consumer' and intermediated investment platforms compete to win new and retain existing customers. The FCA has published the terms of reference for the platform market study and any subsequent action could impact the business of the Group.

Outside the UK, the Group's businesses are regulated by local regulators that often have similar powers to the FCA or PRA. Enforcement action taken by non-UK regulators against the Group could have a detrimental impact on perceptions of the Group or have a material adverse effect on its business, financial results and financial condition and divert management's attention from the day-to-day management of its business.

There has been an increased focus in the EU on the fair treatment of customers, in particular on the way in which the insurance industry and fund management industry sells and administers

insurance policies, interests in investment funds and other products or services, including investment advice. The Insurance Distribution Directive (“**IDD**”) came into force on 22 February 2016 and EU member states have until 23 February 2018 to transpose and implement its provisions. Notwithstanding the UK’s exit from the EU, the UK government has announced that it intends to transpose the IDD into UK law within this time frame. The EU has also developed the PRIIPs Regulation on key information documents for packaged retail and insurance-based investment products ((EU) 1286/2014), which is due to enter into force on 1 January 2018 and aims to harmonise pre-contractual disclosures and selling practices for such products. Furthermore, the updated Markets in Financial Instruments Directive (2014/65/EU) and the Markets in Financial Instruments Regulation ((EU) 600/2014) (together, “**MiFID II**”) also involve the introduction of extensive new rules on product disclosure and sales practices. There is a risk that these new regimes and any rules or regulatory guidance introduced to implement them will lead to restrictions on the Group’s ability to distribute its products within the EU and result in additional distribution and compliance costs, which could have a material adverse effect on its financial results, operations and costs or otherwise negatively impact its distribution arrangements. In the UK, the FCA continues to focus on the fair treatment of customers more generally, including in relation to the provision of investment advice. See “*The Group’s businesses are subject to regulatory risk, including adverse changes in the laws, regulations, policies and interpretations in the markets in which they operate*” above.

While the Group continues to prepare for the implementation and application of MiFID II, a degree of uncertainty persists around the shape of the final regime as implemented or applicable in the UK. As a result, there is a risk that implementing the changes required as a result of MiFID II could give rise to unforeseen compliance costs for the Group. Uncertainty as to the nature of the final rules means that the Group may not be able to implement those rules accurately or in time. This could lead to enforcement action by the FCA or PRA, which could have materially adverse consequences for the business of the Group. More generally, the implementation of MiFID II is likely to have a substantial impact on the economics of the investment services sector generally (including the asset management and investment advice sectors). It is possible that this may be intensified in the longer term by EU plans for the Capital Markets Union.

The International Association of Insurance Supervision (“**IAIS**”) is developing a common framework for the supervision of internationally active insurance groups (“**ComFrame**”). The framework is designed to develop common principles and standards for supervision and so may result in more extensive regulation, particularly at the Group level, in those jurisdictions which do not currently employ group-wide supervision. In addition, it is not clear how ComFrame will interact with existing regimes of group-wide supervision. The intention is that an insurance capital standard (“**ICS**”), applicable to internationally active insurance groups (“**IAIGs**”), will ultimately form part of ComFrame. A consultation on the ICS was concluded in 2016 and the IAIS published an interim version of the ICS in July 2017. Further field testing and consultations on the interim version are expected over the coming years, and the ICS is expected to be adopted as part of ComFrame by the IAIS in late 2019.

Furthermore, various jurisdictions in which the Group operates have created investor compensation schemes that require mandatory contributions from market participants in some instances in the event of failure of another market participant. Circumstances could arise where the Group, along with other companies, may be required to make such contributions.

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

More generally, conduct risk also remains the subject of close regulatory scrutiny across the UK financial services industry. There is an industry-wide risk that conduct-related issues could result in unexpected costs or losses for the Group.

A determination that the Group has failed to comply with applicable regulation could have a negative impact on its reported results or on relations with current and potential customers and clients. Regulatory action against a member of the Group could result in the suspension or revocation of regulatory authorisations, permissions or approvals, financial penalties, adverse publicity for, or negative perceptions regarding, the Group. This may result in regulators subjecting the Group to closer scrutiny than would otherwise be the case, which in turn may result in higher costs, sanctions or fees for the Group. This could otherwise have a material adverse effect on its business, financial results and financial condition and divert management's attention from the day-to-day management of its business.

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

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

UK and overseas taxation law includes rules governing company taxes, business taxes, personal taxes, capital taxes and indirect taxes. The Group is unable to predict the impact of changes that may be announced in the future to UK and overseas tax legislation on its businesses. From time to time, changes to existing UK and overseas tax laws (including as a result of changes in the interpretation of such tax laws), amendments to existing tax rates or the introduction of new tax legislation in the UK or overseas may adversely impact the business, financial results and financial condition of the Group.

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

There are also specific rules governing the taxation of policyholders and other investors. The Group is unable to predict the impact of changes announced in the future to tax law on the taxation of life assurance and pension policies in the hands of policyholders or of other financial products in the hands of other investors. Amendments to existing legislation (particularly if there is the withdrawal of any tax relief or an increase in tax rates) or the introduction of new rules may impact upon future life assurance, pensions and other financial products businesses and on the decisions of current and potential policyholders and other investors. The impact of any changes upon the Group could have a material adverse effect on its businesses, financial results and financial condition.

Market Risks

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

Significant downturns and volatility in equity markets could have a material adverse effect on the Group's financial condition and financial results. Downturns and volatility in equity markets could have a material adverse effect on revenues and returns from insurance and fund management and advisory businesses.

The Group's unit-linked and fund management businesses depend on fees related primarily to the value of assets under management. Consequently, a decline in the equity markets could reduce revenues by reducing the value of the investment assets managed by the applicable business. The Group may be exposed to fluctuations in equity markets as a whole and global, Asian and emerging markets equity markets in particular. Furthermore, the Group's approach to investing in equities results in significant holdings being held in a relatively small number of companies increasing the concentration risk attached to such holdings.

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

Interest rate volatility may adversely affect the investment portfolio, sales of investment products, fund management business and profitability of the Group, including the financial results and overall financial condition.

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

Due to the long-term nature of the liabilities associated with certain businesses, and guaranteed benefits on certain long-term insurance products, sustained declines in long-term interest rates may subject the Group to reinvestment risks and increased hedging costs. Sustained declines in long-term interest rates may also result in customers redeeming other investment products early.

The Group's client investment portfolios contain interest rate-sensitive instruments, such as fixed income securities, which may be adversely affected by changes in interest rates from governmental monetary policies, domestic and international economic and political conditions and other factors beyond the Group's control. A decline in interest rates would decrease unrealised losses or increase unrealised gains in the Group's investment portfolios for clients, while lowering rates of return on funds reinvested.

Developments in market practice in relation to interest rates and interest rate benchmarks may also affect the Group's investment portfolio. In a speech on 27 July 2017, the FCA indicated that it intends to cease sustaining LIBOR after the end of 2021, following a transition period to one or more alternative reference rates. It is uncertain what the impact of this or of other similar developments may be on LIBOR and LIBOR-based instruments and what alternative reference rates may develop. The consequences for the Group's business are therefore uncertain.

As a result of the differing natures of the products offered by the Group and the different regulatory environments in which it operates, the Group employs different methods of asset and liability management across its business units. It may not be possible to hold assets which will provide cash flows to exactly match those relating to policyholder liabilities, in particular in jurisdictions with less developed bond markets and in certain markets where regulated surrender value or maturity values are set with reference to the interest rate environment prevailing at the time of policy issue. This results in a residual asset/liability mismatch risk which can be managed but not eliminated.

The Group's businesses depend on fees related to the value of assets under management. Consequently, a rise in interest rates could reduce revenues by reducing the value of certain of the investment assets the Group manages.

Some products, such as annuities, expose the Group to the risk that changes in interest rates will reduce the "spread", or the difference between the amounts that are required to be paid under the contracts and the rate of return the Group is able to earn on investments intended to support obligations under the contracts. The Group's spread is a material component of net income although this has reduced since UK pension reforms in 2015.

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

A material fall in interest rates may also increase the amount of regulatory own funds capital that the Group is required to hold. The Group's life insurance business is also exposed to the risk that policyholders may surrender their contracts in a different interest rate environment or for liquidity reasons, potentially reducing future profits. In other situations, declines in interest rates may result in increasing the duration of certain life insurance liabilities, creating asset liability duration

mismatches. In addition, during periods of declining interest rates some products may be relatively more attractive to consumers, resulting in increased premium payments on products with flexible premium features, and a higher percentage of insurance policies remaining in force from year to year, during a period when new investments carry lower returns.

In periods of increasing interest rates, surrenders of life insurance policies may increase as policyholders choose to forgo insurance protection and seek higher investment returns. This could arise as the accommodative monetary policies of central banks, in particular the U.S. Federal Reserve, the European Central Bank and the Bank of England, are wound down or stopped. Obtaining cash to satisfy these obligations may require the Group to liquidate certain investments at a time when market prices for those assets are depressed because of increases in interest rates. This may result in realised investment losses. Regardless of whether the Group realises an investment loss, these cash payments would result in a decrease in total invested assets, and may decrease the Group's net income.

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

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

Profits from fees taken on unit-linked funds and other third party assets invested in corporate bonds would fall when spreads widen. Other areas where widening credit spreads could impact the Group's profitability are the valuation and matching of annuity and other long-term liabilities.

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

Falls in property prices could have an adverse impact on the investment portfolio, sales of investment products, fund management business and profitability of the Group including the financial results and overall financial condition.

The Group is subject to property price risk due to holdings of investment properties in various funds. Profits from fees taken on unit-linked funds and other third party assets invested in property would fall when the value of underlying properties falls. A fall in property prices could have an adverse impact on the Group's investment portfolio and impact the financial results.

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

Market fluctuations, movements in interest rates or increases in volatility implied in option prices may cause the value of options and guarantees embedded in some of the Group's

products to increase and, in extreme circumstances, negatively affect the profitability of the business.

The Group is exposed to the risk that options and guarantees, which are embedded in some of its products, may become more onerous if market conditions have a significant downturn. These options and guarantees may also become more onerous if option-implied volatilities increase. In such circumstances, the Group may be required to provide support to the businesses offering these products, thereby reducing the Group's earnings and increasing the volatility of its results if hedging or risk management strategies prove ineffective. By providing these guarantees and options, the Group's capital position is sensitive to fluctuations in financial variables, including interest rates, credit spreads, real estate prices and equity prices.

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

Fluctuations in the financial markets, including fixed income, equity, property and commodities could affect the levels of regulatory own funds capital that the Group is required to hold, which could materially impact the results of the Group.

The Group is affected by changes in general economic and financial market conditions. Fluctuations in the financial markets could potentially adversely affect the financial condition of the Group. In turn this could affect its ability to meet relevant regulatory capital requirements. Adverse economic conditions could also influence the counterparty credit risks to which the Group is subject. This could also increase the regulatory capital requirements to which the Group is subject.

The Group is subject to the consolidated supervision of the PRA under Solvency II as an insurance group, as implemented or applicable in the UK. As such, the Group is required to hold eligible own funds in excess of the Group's consolidated Solvency Capital Requirement, which is calculated by reference to the key risks that the Group faces. Individual entities within the Group are subject to the prudential supervision of the FCA or PRA on a solo basis.

In addition, the use of the "Matching Adjustment" and "Transitional Measures on Technical Provisions" in the determination of technical provisions on the Solvency II balance sheet are subject to approval by the PRA and are subject to meeting certain conditions. Removal of the approvals would have a significantly adverse impact on the published solvency position of the Group.

Regulated entities in the Group are required to hold regulatory capital on a solo basis in accordance with local regulatory capital requirements. Changes to requirements under those regimes may increase the overall regulatory capital requirements to which the Group is subject.

Furthermore, failure to meet applicable capital requirements could lead to regulatory enforcement action being taken against the Group by the PRA, FCA or another regulator with the result that the Group has to restore regulatory capital to acceptable levels or is restricted from certain

activities. This could have a materially adverse effect on the Group's consolidated financial results or financial condition.

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

The Group operates internationally and is exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies.

The Group's assets and liabilities are denominated in a variety of currencies including the euro, pounds sterling, Singapore dollars, Indian rupee, Chinese renminbi and U.S. dollars. The effect of exchange rate fluctuations on local operating results could lead to significant fluctuations in the Group's consolidated financial statements upon translation of values into pounds sterling. Foreign currency exchange rate fluctuation could materially adversely affect the Group's reported results due to unhedged positions or the failure of hedges to offset the impact of the foreign currency exchange rate fluctuation effectively. Revenues received on underlying assets denominated in currencies other than pounds sterling, managed or owned by the Group will fluctuate and could materially adversely affect profits and reported results.

Exposure to foreign exchange risk is of particular concern in light of the uncertainty over the final terms of the UK's relationship with the EU. A prolonged lack of clarity on the details of the UK's exit from the EU may result in continued market volatility and a deterioration in economic conditions in the UK. In the short to medium term, volatility of financial markets may have an adverse effect on revenue, profits and the financial condition and the capital requirements of the Group.

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

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

If significant amounts of cash are required at short notice in excess of expected cash requirements, it may be difficult to sell these investments in a timely manner. In such circumstances, the Group may be forced to sell them for less than they otherwise would have been able to. The reported values of relatively illiquid types of investments, investments in the asset classes described in the paragraph above and, at times, high quality, generally liquid asset classes, do not necessarily reflect the lowest current market price for the asset. If the Group were forced to sell certain assets in the current market, there can be no assurance that the Group would be able to sell them for the prices at which they were recorded and the Group may be forced to sell them at significantly lower prices.

Amounts to be paid out under the Mortgage Endowment Promise depend on investment returns and other assumptions specified in the Scheme of Demutualisation.

In September 2000, the Group announced, subject to certain conditions being satisfied, that it would top-up the payouts at maturity on certain policies where there is a shortfall between the

claim value and the mortgage amount originally targeted (the “**Mortgage Endowment Promise**”). Rules determining the Group’s liability for this Mortgage Endowment Promise are set out in the Scheme of Demutualisation.

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

Credit Risks

Counterparty default risk may have an adverse impact on profitability.

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

Inability of reinsurers or hedge counterparties of the Group to meet their obligations, or the unavailability of adequate reinsurance coverage, may have an adverse impact on profitability.

The Group transfers exposure to certain risks to others through reinsurance and hedging arrangements. When the Group obtains reinsurance, it remains primarily liable for the reinsured risks, regardless of whether the reinsurer meets its reinsurance obligations. Therefore, the inability or unwillingness of the Group’s reinsurers to meet their financial obligations or disputes on, and defects in, reinsurance contract wording or processes, could materially affect the Group’s operations. Reinsurers or hedge counterparties may become financially unsound by the time they are called upon to pay amounts due. As a result of financial market conditions and other macro-economic challenges recently affecting the global economy, reinsurers and hedge counterparties may experience increased regulatory scrutiny, serious cash flow problems and other financial difficulties. Reinsurers and hedge counterparties may also become financially unsound as a result of operational failures within their respective organisations. In addition, reinsurance or hedging may prove inadequate to protect against losses. Due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable ratings, the Group is exposed to concentrations of risk with individual reinsurers.

If a catastrophic event or the inability to meet financial obligations caused these counterparties to default, the Group’s business profitability could be significantly affected to the extent that any collateral mechanism also fails. Furthermore, market conditions beyond the Group’s control determine the availability and cost of the hedging or reinsurance protection purchased. Accordingly, the Group may be forced to incur additional expenses for hedging or reinsurance or

may not be able to obtain sufficient hedging or reinsurance on acceptable terms, which could adversely affect the ability to write future business.

Operational and Conduct Risks

The Group is exposed to conduct risk.

Conduct risk is the risk that decisions and behaviours of a company or its employees do not support the integrity of financial markets, lead to its customers or clients being treated unfairly, or otherwise result in detrimental customer or client outcomes. Conduct risk may arise where the Group fails to design, implement or adhere to appropriate policies and procedures, offer products, services or other propositions that do not meet the needs of customers or clients or fail to perform in accordance with its intended design, fail to communicate appropriately with customers or clients, fail to deal with complaints effectively, sell unsuitable products to customers or clients, fail to provide them with adequate information to make informed decisions or provide inappropriate investment or financial planning advice to customers or clients, among other things. This risk may also arise as a result of employee (mis)conduct, over which the Group has only limited control (by way of its relevant policies and procedures).

Conduct risk remains the subject of close regulatory scrutiny. Failing to protect the interests of customers or clients in this way could lead to legal proceedings or regulatory enforcement action. This could in turn lead to financial penalties, reputational damage and, in the case of regulatory enforcement action, the suspension or revocation of regulatory permissions, licences or approvals. This could have a material adverse effect on the business of the Group.

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

The Group's businesses are dependent on: (i) processing and reporting on a large number of complex transactions across numerous and diverse products; and (ii) their ability to correctly manage customer policies and client assets. Furthermore, the long-term nature of certain businesses of the Group means that accurate records have to be maintained for significant periods. The Group outsources several significant operations, including much of its valuation and pricing functions and certain back office servicing and is therefore at least partially reliant upon the operational processing performance of outsourcing partners. Any failures or errors in the performance of these outsourced functions by a relevant third party provider may require the Group to reimburse the affected parties in respect of losses suffered (which may be significant and may not be recovered against the third party provider or under any applicable policy of insurance). The Group may be unable to recover any such losses fully or at all from the third party or under any relevant insurance policies.

If any of the foregoing or similar risks were to materialise, the Group may also be required to conduct thorough investigations of the circumstances surrounding the breach and regulatory investigations may also follow. The costs involved in such investigations, including management time and professional fees, could be material to the Group.

The systems and processes on which the Group is dependent to serve customers and clients may fail due to IT malfunctions, human error, business interruptions, non-performance by third parties or other external events. This could disrupt business operations resulting in material brand and reputational damage, loss of customers and clients and regulatory action and have a consequent material adverse effect on the Group's results. The specifics or timing of all possible operational and systems failures which may adversely impact the Group's business cannot be anticipated.

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

As a global financial services organisation, the Group relies, to a considerable extent, on the quality of key talent and business leaders in each of the regions and countries in which they respectively operate. The success of operations is dependent on, among other things, the ability to attract and retain highly qualified professional people. In particular, the Group's businesses are highly reliant on the performance of their fund management teams. It is therefore important that key fund managers and other individuals identified as having key talents and skills critical to the success of the business are engaged and retained and, where necessary, in the event of any unexpected departures, are replaced with the best available talent from either internal or external sources.

Competition for highly qualified professional people in most countries in which the Group operates is intense. The Group's ability to attract and retain key people and, in particular, directors and experienced investment managers, fund managers and other specialists, is dependent on a number of factors, including prevailing market conditions, culture and working environment and compensation packages offered by companies competing for the same talent. In addition, it is unclear how a potential future second referendum on Scottish independence and the UK's decision to leave the EU might impact the Group's ability to attract and retain key people in the UK or how new immigration requirements may impact the ease with which UK nationals can work in any of their European locations.

Following the Merger, there may be factors during the integration phase, until 'end state' model and synergies are achieved, that may also impact retention. Internal restructuring, transfer of employees under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") or measures arising from a transfer, collective consultation involving assessment and selection, cultural factors and leadership behaviour, or the bringing together of key talent in senior 'co-head' business roles or other 'interim' arrangements, may all potentially impact the Group's ability to retain key talent. Furthermore, failure to retain key personnel such as experienced investment managers or fund managers may have an adverse impact on the income and fees generated by funds and portfolios.

Risks relating to the outsourcing of services.

The Group has outsourced much of its valuation and pricing functions and certain middle and back office functions to third parties. If the Group does not effectively develop and implement its outsourcing strategies, third party providers do not perform as anticipated, contracts with any of these third party providers are terminated or the Group experiences technological or other problems with a transition, they may not realise productivity improvements or cost efficiencies and

may experience operational difficulties, increased costs and a loss of business. Furthermore, mistakes by third party providers, for example in relation to pricing functions, could result in reputational damage, a requirement to pay compensation to customers or clients or regulatory action or fines. The Group may be unable to recover losses from third party providers, for example in the event of financial distress or limitations on liability. In addition, the ability to receive services from third party providers outside the UK (or the jurisdictions in which subsidiaries operate) might be impacted by cultural differences, political instability, unanticipated regulatory requirements or policies inside or outside the UK. As a result, the Group's ability to conduct business might be adversely affected and result in regulatory action.

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

Key IT initiatives may not deliver what is required either on time or within budget or provide the performance levels required to support the current and future needs of the Group's business. Failure to devote significant resources to support existing systems and upgrade legacy systems could result in the inability to gather information for pricing, underwriting and reserving, and to attract and retain customers and clients, for whom online functionality is becoming increasingly important. If the Group fails to maintain and develop adequate IT systems, they could also incur higher administrative costs both from the processing of business and remediation of disputes. The Group has dependencies on services provided by third parties which, if they had cause to fail or not deliver on requirements, could result in the inability to provide the IT services required by the Group.

Furthermore, inability of the Group to keep pace with software and infrastructure investment requirements and innovation may have an adverse impact on its ability to remain competitive within the relevant markets.

Attempts by third parties or malicious insiders to disrupt the Group's IT systems could result in loss of trust from the Group's customers and clients, causing reputational damage and financial loss.

The Group is increasingly exposed to the risk that third parties or malicious insiders may attempt to use cyber-crime techniques, including distributed denial of service attacks to disrupt the availability, confidentiality and integrity of its IT systems, which could result in disruption to key operations, make it difficult to recover critical services, damage assets and compromise data (corporate, customer or client). Additionally, the global footprint of the Group increases the vulnerability to cyber-crime. This could result in loss of trust from the Group's customers and clients, causing reputational damage, regulatory action and financial loss.

Cyber-attacks are by their nature technologically sophisticated and may be difficult or impossible to detect and defend against. As a result, there can be no assurance that such attacks will not be successful and result in adverse consequential effects on the Group's business and financial position.

Arrangements with third parties, including non-renewal of existing arrangements or impairment of financial institutions, service providers and business partners, could adversely affect the Group.

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

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

Errors may affect the calculation of unit prices or deduction of charges for the Group's unit-linked products or mutual funds which may require it to compensate customers or clients retrospectively.

A significant proportion of the Group's business is unit-linked contracts, where product benefits are linked to the prices of underlying unit funds, and mutual funds business. There is a risk of error in the calculation of the prices of these funds, which may be due to human error in data entry, IT-related issues, failure of outsourcing parties to perform required duties or other causes. Additionally, it is possible that policy or fund charges which are, or will be, deducted from these contracts or funds are taken incorrectly, or the methodology is subsequently challenged by policyholders, investors or regulators and changed retrospectively. Any of these factors could give rise to future liabilities, such as compensation payments to customers or clients. Payments due to errors or compensation may negatively impact the Group's profits.

The Group may fail to manage conflicts of interest between the funds it manages.

In order to leverage the Group's fund management expertise, the same fund management team will sometimes manage several funds or mandates with similar investment strategies.

The Group has policies and procedures to minimise the risk of conflicts of interests. The Group may suffer reputational damage or potential regulatory liability if there is a failure of its information barriers, procedures and systems to identify, record, manage and, where necessary, disclose potential conflicts of interest. Any such failures may have a material adverse impact on the Group's reputation and brand, business, sales, financial results, financial condition and growth prospects.

Breaches by the Group of investment mandates could lead to significant losses.

The Group is generally required to invest in accordance with specific investment mandates established for the particular fund or (in the case of segregated mandates) set by the client. If investments are made or managed in breach of an investment mandate, the Group could be required to unwind the relevant transactions, could suffer reputational and brand damage and would be likely to be liable for any losses suffered by an affected party in doing so. Such losses could be significant and exceed amounts recoverable under the Group's insurance policies, if any. The potential reputational and brand damage and the obligation to compensate for such losses could have a material adverse effect on the Group's business, sales, financial results and financial condition.

The Group may fail to detect or prevent money laundering and other financial crime activities if financial crime risks are not correctly identified and if effective controls to mitigate those risks are not implemented. This could expose the Group to heavy fines, additional regulatory scrutiny, increased liability and reputational risk.

The Group is required to comply with applicable anti-money laundering ("AML"), anti-terrorism, sanctions, anti-bribery and corruption ("ABC"), insider dealing and other laws and regulations in the jurisdictions in which it operates. These laws and regulations require the Group, among other things, to conduct customer due diligence regarding sanctions and politically-exposed person screening, keep customer and supplier account and transaction information up to date and implement effective financial crime policies and procedures.

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

Financial crime is continually evolving, and the expectations of regulators are increasing. This requires similarly proactive and adaptable responses from the Group so that it is able to effectively deter threats and criminality. Even known threats can never be fully eliminated, and there will be instances where the Group may be used by other parties to engage in money laundering and other illegal or improper activities. In addition, the Group also relies on its employees and external administrators to identify and report such activities. There is a risk that they will fail to do so or otherwise fail to comply with or implement the Group's policies and procedures relating to financial crime.

Where the Group is unable to comply with applicable laws, regulations and expectations, regulators and relevant law enforcement agencies have the ability and authority to impose significant fines and other penalties, including requiring a complete review of business systems, day-to-day supervision by external consultants and ultimately the revocation of regulatory authorisations and licences. The reputational damage to the Group's businesses and global brand would be severe if it was found to have breached AML or sanctions requirements. The Group's finances and reputation could also suffer if it is unable to protect customers or prevent the business from being used by criminals for illegal or improper purposes.

The Group is subject to regulation regarding the use of personal customer data.

The Group processes large amounts of personal customer data as part of its business and therefore must comply with strict data protection and privacy laws in all jurisdictions in which it operates. The Group is exposed to the risk that, as a result of human error, cyber-crime or otherwise, personal customer data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulation, by or on behalf of the Group. Such an occurrence could result in the Group facing liability under data protection laws, the loss of its customers, the loss of goodwill of its customers and the deterrence of new customers, any or a combination of which could have a material adverse effect on the Group's business, financial condition and financial results.

Furthermore, the General Data Protection Regulation ((EU) 2016/679) ("**GDPR**") entered into force on 24 May 2016 and will apply in all EU member states from 25 May 2018, introducing the potential for significant new levels of fines for non-compliance based on turnover. The Group will continue to review and develop existing processes to ensure that customer personal data is processed in compliance with the GDPR's requirements, to the extent that they are applicable to the Group, and it may be required to expend significant capital or other resources and/or modify its operations to meet such requirements, any or a combination of which could have a material adverse effect on the Group's business, financial condition and financial results.

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

The Group is like other financial organisations, subject to legal proceedings, ombudsman processes, regulatory investigations and examinations and other forms of litigation brought by third parties (including customers and clients) in the normal course of its business (together, "**proceedings**"). Due to the nature of these proceedings, it is not practicable to forecast or determine the final results of all such proceedings. It is also possible that a regulator in one of the jurisdictions in which the Group conducts its business may carry out a review of products previously sold or services previously supplied, whether as part of an industry-wide review, a firm-specific assessment or otherwise. It is not possible to predict the outcome of such reviews. Possible outcomes include a requirement to compensate customers for losses they have incurred as a result of the products they were sold or services they received or the initiation of regulatory enforcement action against the Group, such as the imposition of a fine. This may have an adverse effect on the Group's business.

The Group is currently undertaking a review of its non-advised annuity sales practices.

On 14 October 2016, the FCA published the findings of its thematic review of non-advised annuity sales practices. SLAL, a subsidiary within the Group, was a participant in that review. The FCA looked at whether firms provided sufficient information to their customers about their potential eligibility for enhanced annuities.

At the request of the FCA, the Group is conducting a review of non-advised annuity sales (with a purchase price above a minimum threshold) to customers eligible to receive an enhanced annuity from 1 July 2008 until such date as it can demonstrate its compliance with the applicable regulatory standards. The purpose of this review is to identify whether these customers received

sufficient information about enhanced annuities to make the right decisions about their purchase, and, where appropriate, provide redress to customers who have suffered loss as a result of not having received sufficient information. The Group has been working with the FCA regarding the process for conducting this past business review.

The Standard Life Group has established a provision of £175 million in its 2016 annual accounts as an estimate of the redress payable to the Group's annuity customers, as well as the costs of conducting the review and other related cost and expenses. The provision and timeline are based on assumptions and it will not be until the review is underway and further progressed that these will be confirmed and validated. There is a risk that the underlying assumptions are incorrect, which may result in an overall cost that is higher or lower than the provision. The Group has not provided for any possible FCA-levied financial penalty relating to the review.

The Group has in place liability insurance and is seeking up to £100 million (after accounting for any excess) of the financial impact of the provision to be mitigated by this insurance. The Group is currently in discussions with its insurers and, as a result, no insurance recovery has been recognised as an asset in the Issuer's 2016 annual accounts.

The Group expects the majority of the outflows associated with this provision, including outflows relating to establishing any reserves for future annuity payments, to have occurred by the end of 2018.

In relation to this review, the FCA is carrying out an investigation and it is possible that the FCA may take further action (including by imposing financial penalties or public censures). At this stage, it is not possible to determine an estimate of the financial effect, if any, of this contingent liability. The Group is also assessing whether and the extent to which the FCA's enhanced annuities review has implications for other past annuity sales practices.

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

The Group is exposed to volatile natural and man-made disasters such as pandemics, hurricanes, floods, windstorms, earthquakes, terrorism, riots, fires and explosions. Such events may not only affect insurance claims, but could also adversely impact investment markets and cause falls in the value of the Group's investment portfolios. Over the past several years, changing weather patterns and climatic conditions have added to the unpredictability and frequency of natural disasters in certain parts of the world and created additional uncertainty as to future trends and exposure.

The Group, particularly through its life insurance operations, is exposed to the risk of catastrophic mortality, so that an event such as a pandemic or other event that causes a large number of deaths could have an adverse impact on its financial results in any period and, depending on its severity, could also materially and adversely affect its financial condition.

Furthermore, pandemics, natural disasters, terrorism and fires could disrupt operations and result in significant loss of property, key personnel and commercial information. Catastrophic events could also harm the financial condition of the Group's reinsurers and thereby increase the probability of default on reinsurance recoveries and could also reduce their ability to write new

business. If business continuity plans have not included effective contingencies for such events, they could adversely affect the Group's business, financial results, corporate reputation and financial condition for a substantial period of time.

Risk management policies and procedures may leave the Group exposed to unidentified or unanticipated risk, which could negatively affect its businesses.

Management of risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events. Many risk exposures are quantified using mathematical models which are calibrated using a combination of historical data and expert judgement. As a result, these methods may not fully predict future exposures, which can be significantly greater than historical measures indicate, particularly in unusual markets and environments. Other risk management methods depend upon the evaluation of information, regarding markets, customers, clients, catastrophe occurrence or other matters, that is, or will be, publicly available or otherwise accessible to the Group. This information may not always be accurate, complete, up to date or properly evaluated. Although the Group makes use of forward-looking risk indicators where appropriate, it is not possible for these indicators to precisely predict future outcomes which may result in the Group being exposed to unidentified or unanticipated risks.

The inability of the Group to adequately insure against specific risks may have an adverse impact on profitability.

The Group's businesses entail the risk of liability related to litigation from customers, clients or third party service providers and actions taken by regulatory agencies, which may not be adequately covered by insurance or at all. Specifically, there is a risk that claims may arise in relation to damage resulting from the Group's employees' or service providers' operational errors or negligence, or misconduct or misrepresentation by its employees, agents and other operational personnel. There can be no assurance that a claim or claims will be covered by insurance or, if covered, that any such claim will not exceed the limits of available insurance coverage or that any insurer will meet its obligations to insure. There can also be no assurance that insurance coverage with sufficient limits will continue to be available at a reasonable cost. Renewals of insurance policies or claims under existing policies may expose the Group to additional costs through higher premiums or the assumption of higher deductibles or co-insurance liability. A significant increase in the costs of maintaining insurance cover or the costs of meeting liabilities not covered by insurance could have a material adverse effect on the Group's business, financial results, financial condition and growth prospects.

RISKS RELATING TO THE NOTES

Defined terms used in these risk factors have the same meaning as in the Conditions

Risks relating to the structure of the Notes

The Issuer may redeem the Notes at par before maturity in certain circumstances, and an investor may not be able to reinvest the redemption proceeds at as effective a rate of return as that in respect of the Notes.

The Notes may, subject as provided in the Conditions, be redeemed before the Maturity Date (i) at the sole discretion of the Issuer on the First Call Date or any Interest Payment Date thereafter, (ii) at any time following a Tax Event, (iii) at any time following a Capital Disqualification Event or (iv) at any time following a Rating Methodology Event, in each case at their principal amount together with interest accrued but unpaid to (but excluding) the date of redemption and any Arrears of Interest.

The cash paid to Noteholders upon such a redemption may be less than the then current market value of the Notes or the price at which such Noteholders purchased the Notes. Subject to the contractual and regulatory restrictions on doing so set out in the Conditions, the Issuer might be expected to redeem the Notes when its cost of borrowing for an instrument with a comparable regulatory and rating agency capital treatment at the time is lower than the interest payable on them. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest payable on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

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

The Issuer's payment obligations under the Notes will be unsecured and will be subordinated (i) on a winding-up of the Issuer and (ii) in the event that an administrator is appointed to the Issuer and gives notice that it intends to declare and distribute a dividend and, in each case, will rank junior to the claims of all policyholders and other unsubordinated creditors of the Issuer and to claims in respect of any subordinated indebtedness of the Issuer other than indebtedness which ranks, or is expressed to rank, *pari passu* with or junior to the Notes. Accordingly, the assets of the Issuer would be applied first in satisfying all senior-ranking claims in full, and payments would be made to holders of the Notes, pro rata and proportionately with payments made to holders of any other *pari passu* instruments (if any), only if and to the extent that there are any assets remaining after satisfaction in full of all such senior-ranking claims. If the Issuer's assets are insufficient to meet all its obligations to senior-ranking and *pari passu* creditors, the holders of the Notes will lose all or some of their investment in the Notes.

There is no restriction on the amount of securities which the Issuer may issue and which rank senior to, or *pari passu* with, the Notes and, accordingly, the Issuer may at any time incur further obligations (including by issue of further debt securities) which rank senior to, or *pari passu* with, the Notes. Consequently there can be no assurance that the current level of senior or *pari passu* debt of the Issuer will not change. The issue of any such securities may reduce the amount (if any) recoverable by Noteholders on a winding-up of the Issuer.

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

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

Payments of interest on the Notes may be deferred by the Issuer and, in certain circumstances, payments of interest on, and redemption of, the Notes must be deferred by the Issuer.

The Issuer may elect to defer payments of interest on the Notes pursuant to Condition 5(a) for any reason on any Interest Payment Date unless the relevant Interest Payment Date is a Compulsory Interest Payment Date.

In addition, the payment obligations by the Issuer under the Notes are conditional upon (i) there being no breach of the Solvency Condition (as described in Condition 3(b)) at the time of such payment and no such breach occurring as a result of such payment, (ii) in the case of the payment of interest, there being no Regulatory Deficiency Interest Deferral Event at the time of such payment and no such event occurring as a result of such payment, (iii) in the case of the payment of interest, on any Interest Payment Date that is not a Compulsory Interest Payment Date or a Mandatory Interest Deferral Date, the Issuer's discretion, (iv) in the case of the redemption of the Notes, there being no Regulatory Deficiency Redemption Deferral Event at the time of such payment and no such event occurring as a result of such payment and (if then required) regulatory consent having been obtained and such redemption being made in compliance with the Relevant Rules at such time, and notification to, or consent or non-objection from, the Relevant Regulator (to the extent then required by the Relevant Regulator or the Relevant Rules). Any amounts of principal, interest, Arrears of Interest and any other amounts in respect of the Notes which cannot be paid on the scheduled payment date by virtue of such provisions must be deferred by the Issuer, and non-payment of the amounts so deferred shall not constitute a default under the Notes or the Trust Deed for any purpose, including enforcement action against the Issuer.

Any interest in respect of the Notes so deferred will, so long as the same remains unpaid, constitute Arrears of Interest. Arrears of Interest will not themselves bear interest. The holders of the Notes have no right to require payment of Arrears of Interest, and Arrears of Interest will become payable only at the discretion of the Issuer or upon the earliest of the dates set out in Condition 5(c)(i) to (iii).

If redemption of the Notes is deferred, the Notes will only become due for redemption in the circumstances described in Condition 6(a)(iv) and (v).

The circumstances in which a Regulatory Deficiency Interest Deferral Event or a Regulatory Deficiency Redemption Deferral Event may occur are dependent upon the solvency position of the Issuer and the Group (i.e. the Issuer, or, as at any time after the Issue Date, the ultimate insurance holding company of the Issuer, if different to the Issuer, and its subsidiaries) under the Relevant Rules and the requirements of the Relevant Rules.

Any actual or anticipated deferral of interest or redemption can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such a sale, investors

may lose some or substantially all of their investment in the Notes. In addition, as a result of the deferral provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other securities or instruments that do not require deferral of interest or principal, and may be more sensitive generally to adverse changes in the Issuer's financial condition.

The terms of the Notes may be modified, or the Notes may be substituted, by the Issuer without the consent of the Noteholders in certain circumstances, subject to certain restrictions.

In the event of certain specified events due to a Tax Event, a Capital Disqualification Event or a Rating Methodology Event, the Issuer may (subject to certain conditions) at any time substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), (in the case of a Tax Event or a Capital Disqualification Event) Qualifying Tier 2 Securities or (in the case of a Rating Methodology Event) Rating Agency Compliant Securities, without the consent of the Noteholders.

Qualifying Tier 2 Securities and Rating Agency Compliant Securities must, *inter alia*, have terms not materially less favourable to holders than the terms of the Notes, as reasonably determined by the Issuer in consultation with an independent investment bank of international standing. Rating Agency Compliant Securities must also be assigned substantially the same equity content or, at the absolute discretion of the Issuer, a lower equity content (provided such equity content is still higher than the equity content assigned to the Notes immediately after the occurrence of the relevant Rating Methodology Event) as that which was assigned to the Notes on or around the Issue Date. However, there can be no assurance that, due to the particular circumstances of a holder of Notes, such Qualifying Tier 2 Securities or Rating Agency Compliant Securities will be as favourable to each investor in all respects or that, if it were entitled to do so, a particular investor would make the same determination as the Issuer as to whether the terms of the Qualifying Tier 2 Securities or Rating Agency Compliant Securities (as the case may be) are not materially less favourable to holders than the terms of the Notes.

The terms of the Notes may be modified with the consent of specified majorities of the Noteholders at a duly convened meeting, and the Trustee may consent to certain modifications to the Notes, or substitution of the Issuer, without the consent of the Noteholders.

The Trust Deed constituting the Notes contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Trust Deed constituting the Notes also provides that, subject to the prior consent of the Relevant Regulator being obtained (to the extent that such consent is required), the Trustee may (except as set out in the Trust Deed), without the consent of Noteholders, agree to certain modifications of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or to the substitution of another company as principal debtor or guarantor under the Notes in place of the Issuer in the circumstances described in Condition 11.

Restricted remedy for non-payment when due.

In accordance with the current requirements for eligible Tier 2 Capital, the sole remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Conditions) any Noteholder for recovery of amounts which have become due in respect of the Notes will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up or administration and/or claiming in the liquidation of the Issuer. In particular, a deferral of payments as described in the risk headed "*Payments of interest on the Notes may be deferred by the Issuer and, in certain circumstances, payments of interest on, and redemption of, the Notes must be deferred by the Issuer*" above shall not constitute a default under the Notes or the Trust Deed for any purpose, including enforcement action against the Issuer.

The Issuer is the ultimate holding company of the Group and therefore payments on the Notes are structurally subordinated to the liabilities and obligations of the Issuer's subsidiaries.

The Issuer is the ultimate holding company of the Group, with certain of its operations being conducted by operating subsidiaries. Accordingly, in the event of a winding up or administration of the Issuer or a subsidiary, creditors of a subsidiary would have to be paid in full before sums would be available to the shareholders of that subsidiary (i.e. the Issuer or a subsidiary of the Issuer) and so to Noteholders. The Conditions do not limit the amount of liabilities that the Issuer's subsidiaries may incur. In addition, the Issuer may not necessarily have access to the full amount of cash flows generated by its operating subsidiaries, due in particular to legal or tax constraints, contractual restrictions and the subsidiary's financial requirements and regulatory capital requirements.

Risks relating to the Notes generally***Change of law.***

The Conditions are based on English law in effect as at the date of issue of the Notes save for the provisions of Condition 3 relating to the status and subordination of the Notes which are governed by Scots law. No assurance can be given as to the impact of any possible judicial decision or change to English law, Scots law or administrative practice after the date of issue of the Notes.

Integral multiples of less than \$200,000.

The denomination of the Notes is \$200,000 and integral multiples of \$1,000 in excess thereof. Accordingly, it is possible that the Notes may be traded in the clearing systems in amounts in excess of \$200,000 that are not integral multiples of \$200,000. Should definitive Certificates be required to be issued, they will be issued in principal amounts of \$200,000 and higher integral multiples of \$1,000 but will in no circumstances be issued to Noteholders who hold Notes in the relevant clearing system in amounts that are less than \$200,000.

If definitive Certificates are issued, Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of \$200,000 may be illiquid and difficult to trade.

Risks related to the market generally***The secondary market generally.***

The Notes have no established trading market when issued, and one may never develop. If a market for the Notes does develop it may not be liquid. Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market and/or which are rated. Illiquidity may have a severely adverse effect on the market value of the Notes.

If the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound-up or enter into administration, or if at any time there is any actual or anticipated deferral of interest or redemption and/or any risk of early redemption in accordance with the Conditions, such circumstances can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes.

Exchange rate risks and exchange controls.

The Issuer will pay principal and interest on 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 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 Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the 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 Notes, which initially bear a fixed rate of interest, involves the risk that subsequent increases in market interest rates may adversely affect the market value of the Notes. In particular, the Notes are subject to reset provisions. Accordingly, the Notes will initially earn interest at a fixed rate of interest from (and including) the Issue Date to (but excluding) the First Call Date. From (and including) the First Call Date, however, and every Reset Date thereafter, the interest rate will be reset to the Reset Interest Rate (as described in Condition 4). This reset rate could be less than the Initial Interest Rate and/or the interest rate that applies immediately prior to such Reset Date, which could affect the amount of any interest payments under the Notes and so the market value of an investment in the Notes. In addition, since the Notes are resettable

securities, the future yield is uncertain. Such uncertainty may also adversely affect the market value of the Notes.

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

The Notes will be represented by a Global Certificate (as defined in the Trust Deed). The Global Certificate will be deposited with a common depositary for, and registered in the name of the common nominee of, Euroclear and Clearstream, Luxembourg. Except in the limited circumstances described in the Global Certificate, investors will not be entitled to receive definitive registered notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificate.

While the Notes are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. The Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of Euroclear or Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Credit ratings may not reflect all risks.

The credit ratings assigned to the Notes 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 relevant Notes. A credit rating is not a recommendation to buy, sell or hold Notes and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). The list of registered and certified credit rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

The Notes are expected to be rated Baa1(hyb) by Moody's Investors Service Ltd. and BBB+ by Standard & Poor's Credit Market Services Europe Limited. As at the date of this Prospectus, each Rating Agency is a credit rating agency established in the EU and is registered under the CRA Regulation. As such, each Rating Agency is included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation.

Terms and Conditions of the Notes

The following is the text of the terms and conditions of the Notes, substantially as they will appear on the Certificates in definitive form (if issued).

The \$750,000,000 4.25 per cent. Fixed Rate Reset Subordinated Notes due 2048 (the “**Notes**”, which expression shall, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 and forming a single series with the Notes) are constituted by a trust deed dated 18 October 2017 (as amended and/or restated and/or supplemented from time to time, the “**Trust Deed**”) between Standard Life Aberdeen plc (the “**Issuer**”) and HSBC Corporate Trustee Company (UK) Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes (the “**Noteholders**”). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes referred to below. An Agency Agreement dated 18 October 2017 (as amended and/or restated and/or supplemented from time to time, the “**Agency Agreement**”) has been entered into in relation to the Notes between the Issuer, the Trustee, HSBC Bank plc as principal paying agent and the other agents named in it. The principal paying agent, the paying agents, the agent bank, the registrar and the transfer agents for the time being appointed under the Agency Agreement (if any) are referred to below respectively as the “**Principal Paying Agent**”, the “**Paying Agents**” (which expression shall include the Principal Paying Agent), the “**Agent Bank**”, the “**Registrar**” and the “**Transfer Agents**” (which expression shall include the Registrar). Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours and upon reasonable notice at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

1. Form, denomination and title

The Notes are issued in registered form in specified denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

The Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Notes by the same Noteholder.

Title to the Notes shall pass upon registration in the register of the Noteholders that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Certificate representing it or the theft or loss of the relevant Certificate and no person shall be liable for so treating the Noteholder.

2. Transfers of Notes**(a) Transfer of Notes**

One or more Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. A Note may not be transferred unless the principal amount of the Notes transferred (and where not all of the Notes held by a Noteholder are transferred, the principal amount of the balance of the Notes not transferred) are in a specified denomination. In the case of a transfer of Notes to a person who is already a Noteholder, a new Certificate representing the enlarged holding may be issued but only against surrender of the Certificate representing the existing holding of such person. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(b) Delivery of new Certificates

Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within three Business Days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the Noteholder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Noteholder entitled to the new Certificate to such address as may be so specified, unless such Noteholder requests otherwise and pays in advance to the Registrar or relevant Transfer Agent (as applicable) the costs of such other method of delivery and/or such insurance as it may specify.

(c) Transfer free of charge

Transfers of Notes and the issue of new Certificates on transfer shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges by the person submitting such Notes or Certificates that may be imposed in relation to the transfer or its registration (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(d) Closed periods

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3. Status**(a) Ranking**

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (ii) do not provide that the Notes shall thereby become payable) or the appointment of an administrator of the Issuer where the administrator has given notice that it intends to declare and distribute a dividend, the payment obligations of the Issuer under or arising from the Notes and the Trust Deed, including any Arrears of Interest and any damages awarded for breach of any obligations in respect of the Notes, shall be subordinated in the manner provided in the Trust Deed to the claims of all Senior Creditors of the Issuer, but shall rank (a) at least *pari passu* with all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital (other than the Existing Undated Tier 2 Notes) and all obligations which rank, or are expressed to rank, *pari passu* therewith (“**Pari Passu Securities**”); and (b) shall rank in priority to the claims of holders of: (i) the Existing Undated Tier 2 Notes; (ii) all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith; and (iii) all classes of share capital of the Issuer (together, the “**Junior Securities**”).

(b) Solvency Condition

Without prejudice to Condition 3(a), all payments (including, without limitation, any payments in respect of damages awarded for breach of any obligations) under or arising from the Notes and the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable under or arising from the Notes and the Trust Deed unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the “**Solvency Condition**”).

For the purposes of this Condition 3(b), the Issuer will be solvent if (i) it is able to pay its debts owed to Senior Creditors and Pari Passu Creditors as they fall due and (ii) its Assets exceed its Liabilities. A certificate as to the solvency of the Issuer signed by two Authorised Signatories or, if there is a winding-up or administration of the Issuer, the liquidator or, as the case may be, the administrator of the Issuer shall, in the absence of

manifest error, be treated and accepted by the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person.

Without prejudice to any other provision in these Conditions, amounts representing any payments of principal or interest or any other amount, including any damages awarded for breach of any obligations in respect of which the conditions referred to in this Condition 3(b) are not satisfied on the date upon which the same would otherwise be due and payable ("**Solvency Claims**"), will be payable by the Issuer in the circumstances described in Condition 10(b), as further provided in Condition 3(a). A Solvency Claim shall not bear interest.

(c) Set-off, etc.

Subject to applicable law, no Noteholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Notes and each Noteholder shall, by virtue of being the holder of any Note, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Noteholder by the Issuer is discharged by set-off, such Noteholder shall, unless such payment is prohibited by applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up or administration, the liquidator or administrator, as appropriate, of the Issuer for payment to the Senior Creditors in respect of amounts owing to them by the Issuer, and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator or administrator, as appropriate, of the Issuer (as the case may be), for payment to the Senior Creditors in respect of amounts owing to them by the Issuer and, accordingly, any such discharge shall be deemed not to have taken place.

On a winding-up of the Issuer, there may be no surplus assets available to meet the claims of the Noteholders after the claims of the parties ranking senior to the Noteholders (as provided in Condition 3) have been satisfied.

(d) References to include principal and interest

The foregoing provisions of this Condition 3 apply only to the principal, interest and other amounts under or arising from the Notes and nothing in this Condition 3 shall affect or prejudice the payment of the costs, charges, expenses or liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof and in such capacity the Trustee shall rank as an unsubordinated creditor of the Issuer.

4. Interest

(a) Interest rate and Interest Payment Dates

Subject to Condition 3(b) and Condition 5, each Note bears interest on its outstanding principal amount:

- (i) from (and including) the Issue Date to (but excluding) the First Call Date at the Initial Interest Rate; and
- (ii) for each Reset Period thereafter, at the relevant Reset Interest Rate,

payable, in each case, semi-annually in arrear on each Interest Payment Date. There will be a long first coupon in respect of the first interest period, from (and including) the Issue Date to (but excluding) 30 June 2018.

(b) Interest accrual

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

(c) Calculation of interest

Interest shall be calculated per \$1,000 in principal amount of the Notes (the “**Calculation Amount**”) by applying the rate of interest referred to in Condition 4(a) to such Calculation Amount, multiplying the resulting figure by the applicable day count fraction as described below in this Condition 4(c) and rounding the resultant figure to two decimal places (with 0.005 being rounded up). The amount of interest payable in respect of a Note shall be calculated by multiplying the amount of interest per Calculation Amount determined as aforesaid by the specified denomination of such Note and dividing the resulting figure by \$1,000.

Where interest is to be calculated in respect of any period, the applicable day count fraction will be the number of days in such period divided by 360, where the number of days is 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.

(d) Determination of Reset Interest Rates

The Agent Bank will on each Reset Determination Date determine the Reset Interest Rate applicable to the Reset Period in respect of such Reset Determination Date and shall promptly notify the Issuer thereof.

(e) Publication of Reset Interest Rates

The Issuer shall cause the Agent Bank to give notice of the Reset Interest Rate applicable to each Reset Period to the Issuer, the Principal Paying Agent, the Trustee and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be notified to Noteholders in accordance with Condition 16 as soon as possible after their determination, but in no event later than the fourth Business Day thereafter. The Reset Interest Rate so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of manifest error.

(f) Determination by the Trustee

The Trustee (or an agent appointed by the Trustee at the expense of the Issuer) shall be entitled but shall not be obliged, if the Agent Bank defaults at any time in its obligation to determine the Reset Interest Rate in accordance with the above provisions, to determine the Reset Interest Rate, at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and the determination shall be deemed to be a determination by the Agent Bank.

(g) Notifications, etc. to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4, whether by the Reference Banks (or any of them) or the Agent Bank or the Trustee or any agent appointed by the Trustee, will (in the absence of manifest error) be binding on the Issuer, the Trustee, the Agent Bank and all Noteholders and (in the absence of wilful default and gross negligence) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Agent Bank or, if applicable, the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition 4.

5. Deferral of payments**(a) Optional deferral of interest**

The Issuer may, in respect of any Optional Interest Payment Date, by notice to the Noteholders, the Principal Paying Agent and the Trustee pursuant to Condition 5(d), elect to defer payment of all (but not some only) of the interest accrued to that date and the Issuer shall not have any obligation to make such payment on that date.

Notwithstanding any other provision in these Conditions or the Trust Deed, the deferral of any payment of interest on an Optional Interest Payment Date in accordance with this Condition 5(a) or in accordance with Condition 3(b) will not constitute a default by the Issuer and will not give the Noteholders or the Trustee any right to accelerate any payment in respect of the Notes.

(b) Mandatory deferral of interest

Payment of interest on the Notes will be mandatorily deferred on each Mandatory Interest Deferral Date. The Issuer shall notify the Noteholders, the Principal Paying Agent and the Trustee of any Mandatory Interest Deferral Date in accordance with Condition 5(d).

A certificate signed by two Authorised Signatories confirming that (a) a Regulatory Deficiency Interest Deferral Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made or (b) a Regulatory Deficiency Interest Deferral Event has ceased to occur and/or payment of interest on the Notes would not result in a Regulatory Deficiency Interest Deferral Event occurring, shall, in the absence

of manifest error, be treated and accepted by the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person.

Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any payment of interest on a Mandatory Interest Deferral Date in accordance with this Condition 5(b) or in accordance with Condition 3(b) will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate any payment in respect of the Notes.

(c) Arrears of Interest

Any interest in respect of the Notes not paid on an Interest Payment Date as a result of the exercise by the Issuer of its discretion pursuant to Condition 5(a) or the obligation on the Issuer to defer pursuant to Condition 5(b) or due to the operation of the Solvency Condition contained in Condition 3(b), together with any other interest in respect of the Notes not paid on an earlier Interest Payment Date shall, so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest shall not themselves bear interest.

Any Arrears of Interest may (subject to Condition 3(b) and (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator and to any other requirements under the Relevant Rules), be paid in whole or in part at any time (provided that at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur if payment of such Arrears of Interest were made) upon the expiry of not less than 14 days' notice to such effect given by the Issuer to the Trustee, the Paying Agent and the Noteholders in accordance with Condition 16, and in any event will become due and payable (subject, in the case of (i) and (iii) below, to Condition 3(b) and (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator) in whole (and not in part) upon the earliest of the following dates:

- (i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date on which payment of interest in respect of the Notes is made (other than a voluntary payment by the Issuer of any Arrears of Interest); or
- (ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (A) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (B) do not provide that the Notes shall thereby become payable) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend; or

- (iii) the date for any redemption or purchase of the Notes by or on behalf of the Issuer or any of its Subsidiaries pursuant to Condition 6.

(d) Notice of deferral

The Issuer shall notify the Trustee and the Principal Paying Agent in writing and notify the Noteholders in accordance with Condition 16 not less than 5 Business Days prior to an Interest Payment Date:

- (i) if that Interest Payment Date is an Optional Interest Payment Date in respect of which the Issuer elects to defer interest as provided in Condition 5(a); and
- (ii) if that Interest Payment Date is a Mandatory Interest Deferral Date and specify that interest will not be paid because a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest was made (in whole or in part) on such Interest Payment Date, provided that if a Regulatory Deficiency Interest Deferral Event occurs less than five Business Days prior to an Interest Payment Date, the Issuer shall give notice of the interest deferral in accordance with Condition 16 as soon as reasonably practicable following the occurrence of such event and the Issuer shall not be in breach of its obligation to give not less than five Business Days' notice in such circumstances.

6. Redemption, substitution, variation, purchase and options

(a) Redemption at maturity and deferral of redemption date

- (i) Subject to Condition 3(b), Condition 6(a)(ii), Condition 6(b) and to compliance by the Issuer with regulatory rules including (to the extent then required by the Relevant Regulator or the Relevant Rules) on notification to, or consent or non-objection from, the Relevant Regulator and provided that such redemption is permitted under the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 2 Capital under the Relevant Rules), unless previously redeemed or purchased and cancelled as provided below, each Note shall be redeemed on the Maturity Date at its principal amount together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption in accordance with these Conditions.
- (ii) No Notes shall be redeemed on the Maturity Date pursuant to Condition 6(a)(i) or prior to the Maturity Date pursuant to Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption is made on, if Condition 6(a)(i) applies, the Maturity Date or, if Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) applies, any date specified for redemption in accordance with such Conditions.
- (iii) If the Notes are not to be redeemed on the Maturity Date pursuant to Condition 6(a)(i) or on any redemption date specified pursuant to Condition 6(c), Condition

6(d), Condition 6(e) or Condition 6(f) (as applicable) as a result of circumstances where:

- (A) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were redeemed on such date;
- (B) the Solvency Condition would not be satisfied on such date and immediately after the redemption; or
- (C) the Relevant Regulator does not consent to the redemption or objects to the redemption (to the extent that consent or non-objection is then required by the Relevant Regulator or the Relevant Rules) or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date,

the Issuer shall notify the Trustee and the Principal Paying Agent in writing and notify the Noteholders in accordance with Condition 16 no later than five Business Days prior to the Maturity Date (if any) or the date specified for redemption in accordance with Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f), as applicable, (or as soon as reasonably practicable if the relevant circumstance requiring redemption to be deferred arises, or is determined, less than five Business Days prior to the relevant redemption date, and the Issuer shall not be in breach of its obligation to give not less than five Business Days' notice in such circumstances).

- (iv) If redemption of the Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) as a result of Condition 6(a)(ii) or the Relevant Regulator does not consent to the redemption or objects to the redemption (to the extent that consent or non-objection is then required by the Relevant Regulator or the Relevant Rules) or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date, subject (in the case of (A) and (B) only) to Condition 3(b) and (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent from, the Relevant Regulator and to such redemption being otherwise permitted under the Relevant Rules, such Notes shall be redeemed at their principal amount together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption, upon the earliest of:
 - (A) in the case of a failure to redeem due to the operation of Condition 6(a)(ii) only, the date falling 10 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased (unless, on such 10th Business Day, a further Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or redemption of the Notes on such date would result in a Regulatory Deficiency Redemption Deferral Event occurring, in which case the provisions of Condition 6(a)(ii), Condition 6(a)(iii) and this Condition 6(a)(iv) shall apply *mutatis mutandis* to determine the due date for redemption); or

- (B) the date falling 10 Business Days after the Relevant Regulator has agreed to the repayment or redemption of the Notes; or
 - (C) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (y) do not provide that the Notes shall thereby become payable) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend.
- (v) If Condition 6(a)(ii) does not apply, but redemption of the Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) as a result of the Solvency Condition not being satisfied at such time and immediately after such payment, subject (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator and to such redemption being otherwise permitted under the Relevant Rules, such Notes shall be redeemed at their principal amount together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption on the 10th Business Day immediately following the day that (A) the Issuer is solvent for the purposes of Condition 3(b) and (B) redemption of the Notes would not result in the Issuer ceasing to be solvent for the purposes of Condition 3(b), provided that if on such Business Day specified for redemption a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if the Notes were to be redeemed, or if the Solvency Condition would not be satisfied on such date and immediately after the redemption, then the Notes shall not be redeemed on such date and Condition 3(b) and 6(a)(iv) shall apply *mutatis mutandis* to determine the date of the redemption of the Notes.
- (vi) A certificate signed by two Authorised Signatories confirming that (A) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if redemption of the Notes were to be made or (B) a Regulatory Deficiency Redemption Deferral Event has ceased to occur and/or redemption of the Notes would not result in a Regulatory Deficiency Redemption Deferral Event occurring or (C) that any circumstance described in Condition 6(a)(iii)(B) or (C) applies, shall, in the absence of manifest error, be treated and accepted by the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person.
- (vii) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with Condition 3(b) or this Condition 6(a) will not constitute a default by the Issuer and will not give

Noteholders or the Trustee any right to accelerate repayment of the Notes or take any other action under the Notes or the Trust Deed.

(b) Conditions to redemption, substitution, variation or purchase

Any redemption, substitution, variation or purchase of the Notes is subject to the Issuer having complied with regulatory rules including (to the extent then required by the Relevant Regulator or the Relevant Rules) on notification to, or consent or non-objection from, the Relevant Regulator and such redemption, substitution, variation or purchase being otherwise permitted under the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 2 Capital). A certificate signed by two Authorised Signatories confirming such compliance shall be conclusive evidence of such compliance and shall, in the absence of manifest error, be accepted by the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without further investigation and without liability to any person. In the case of a redemption or purchase that is within five years of the Issue Date, such redemption or purchase shall, if required by the Relevant Rules, be (i) funded out of the proceeds of a new issuance of capital of at least the same quality as the Notes and shall be otherwise permitted under the Relevant Rules or (ii) effected by the exchange or conversion of such Notes into another form of capital of at least the same quality as the Notes and shall be otherwise permitted under the Relevant Rules.

(c) Redemption, substitution or variation at the option of the Issuer due to Taxation

If immediately prior to the giving of the notice referred to below:

- (i) as a result of a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the UK or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the UK is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes and which are capable of constituting Tier 2 Capital under the Relevant Rules applicable at issuance) or which differs from any specific written confirmation given by a tax authority in respect of the Notes, which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by UK Act of Parliament or by Statutory Instrument, on or after the Issue Date (each a “**Tax Law Change**”), in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts on the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it; or
- (ii) as a result of a Tax Law Change, in respect of the Issuer's obligation to make any payment of interest on the next following Interest Payment Date: (x) the Issuer

would not be entitled to claim a deduction in respect of computing its taxation liabilities in the UK, or such entitlement is reduced; (y) the Issuer would not to any extent be entitled to have a loss (if any) that has been computed taking such a deduction into account set against the profits of companies with which it is grouped for applicable UK tax purposes (whether under the group relief system current as at the date of the Tax Law Change or any similar system or systems having like effect as may from time to time exist); or (z) the Issuer would otherwise suffer adverse tax consequences, and in each such case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it,

then the Issuer may:

- (A) subject to Condition 3(b), Condition 6(a)(ii) and Condition 6(b) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), redeem in accordance with these Conditions (unless otherwise specified herein) at any time all, but not some only, of the Notes at their principal amount, together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption in accordance with these Conditions; or
- (B) subject to Condition 6(b) (without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Tier 2 Securities and the Trustee shall (subject to the following provisions of this paragraph (B) and subject to the receipt by it of the certificates of the Authorised Signatories referred to below and in the definition of Qualifying Tier 2 Securities) agree to such substitution or variation. The Trustee shall, at the request and expense of the Issuer, use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(c) the Issuer shall deliver to the Trustee (a) a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance referred to in sub-paragraph (i) or (ii) above applies and (b) an opinion in form and substance satisfactory to the Trustee of independent legal advisers or other tax advisers of

recognised standing that the relevant requirement or circumstance referred to in subparagraph (i) or (ii) above applies. Upon expiry of such notice the Issuer shall (subject to Condition 6(b) and, in the case of a redemption, to Condition 3(b), Condition 6(a)(ii), Condition 6(a)(iii), Condition 6(a)(iv) and Condition 6(a)(v)) either redeem, vary or substitute the Notes, as the case may be, pursuant to the relevant terms of this Condition 6(c).

In connection with any substitution or variation in accordance with this Condition 6(c), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

For the purposes of this Condition 6(c), the enactment of the corporate interest restriction rules to the extent in the form of Schedule 5 to the Finance Bill 2017-19 (HC Bill 102) as introduced in the House of Commons on 6 September 2017 shall not constitute a Tax Law Change.

(d) Redemption at the option of the Issuer

Unless the Issuer shall have given notice to redeem the Notes under Condition 6(c) or Condition 6(e) or Condition 6(f) on or prior to the expiration of the notice referred to below, the Issuer may at its option, subject to Condition 3(b), Condition 6(a)(ii) and Condition 6(b) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable) redeem in accordance with these Conditions all, but not some only, of the Notes on the First Call Date or any Interest Payment Date thereafter at their principal amount, together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date fixed for redemption in accordance with these Conditions.

Upon expiry of the notice referred to in this Condition 6(d) the Issuer shall (subject to Condition 6(b), Condition 3(b), Condition 6(a)(ii), Condition 6(a)(iii), Condition 6(a)(iv) and Condition 6(a)(v)) be bound to redeem the Notes in accordance with the terms of this Condition 6(d).

(e) Redemption, substitution or variation at the option of the Issuer due to Capital Disqualification Event

If immediately prior to the giving of the notice referred to below a Capital Disqualification Event has occurred and is continuing, then:

- (i) the Issuer may, subject to Condition 3(b), Condition 6(a)(ii) and Condition 6(b) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), redeem in accordance with these Conditions all, but not some only, of the Notes at any time. The Notes will be redeemed at their principal amount, together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption in accordance with these Conditions; or

- (ii) the Issuer may, subject to Condition 6(b) (without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (and not some only) of the Notes for, or vary the terms of the Notes so that they remain or become Qualifying Tier 2 Securities and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of the certificates of the Authorised Signatories referred to below and in the definition of Qualifying Tier 2 Securities) agree to such substitution or variation. The Trustee shall, at the request and expense of the Issuer, use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(e) the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories stating that a Capital Disqualification Event has occurred and is continuing as at the date of the certificate. Upon expiry of such notice the Issuer shall (subject to Condition 6(b) and, in the case of a redemption, to Condition 3(b), Condition 6(a)(ii), Condition 6(a)(iii), Condition 6(a)(iv) and Condition 6(a)(v)) either redeem, vary or substitute the Notes, as the case may be, pursuant to the relevant terms of this Condition 6(e).

In connection with any substitution or variation in accordance with this Condition 6(e), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

(f) Redemption, substitution or variation at the option of the Issuer for rating reasons

If a Rating Methodology Event occurs and within the period from and including the date of the occurrence of such Rating Methodology Event to and including the date which is the first anniversary of such occurrence, the Issuer gives the notice referred to below and if on the date of such notice the Rating Methodology Event is continuing, then:

- (i) the Issuer may, subject to Condition 3(b), Condition 6(a)(ii) and Condition 6(b) and, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), redeem in accordance with these Conditions all, but not some only, of the Notes at any time. The Notes will be redeemed at their principal amount, together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption in accordance with these Conditions; or

- (ii) the Issuer may, subject to Condition 6(b) (without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (and not some only) of the Notes for, or vary the terms of the Notes so that they become Rating Agency Compliant Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of certificates of Authorised Signatories referred to below and in the definition of Qualifying Tier 2 Securities and Rating Agency Compliant Securities) agree to such substitution or variation. The Trustee shall, at the request and expense of the Issuer, use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Rating Agency Compliant Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(f) the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories stating that a Rating Methodology Event has occurred and is continuing as at the date of the certificate. Upon expiry of such notice the Issuer shall (subject to Condition 6(b) and, in the case of a redemption, to Condition 3(b), Condition 6(a)(ii), Condition 6(a)(iii), Condition 6(a)(iv) and Condition 6(a)(v)) either redeem, vary or substitute the Notes, as the case may be, pursuant to the relevant terms of this Condition 6(f).

In connection with any substitution or variation in accordance with this Condition 6(f), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

(g) Purchases

Subject to Conditions 3(b) and 6(b), the Issuer and any of its Subsidiaries for the time being may at any time purchase Notes in the open market or otherwise and at any price.

(h) Cancellation

All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may (at the option of the Issuer or the relevant Subsidiary) be held, reissued, resold or surrendered for cancellation by surrendering the Certificate representing such Notes to the Registrar and, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith. Any Notes so redeemed or surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(i) Trustee not obliged to monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 6 and will not be responsible to Noteholders for any loss arising from any failure or delay by the Trustee to do so. Unless and until the Trustee has actual knowledge or express notice of the occurrence of any event or circumstance within this Condition 6, it shall be entitled to assume that no such event or circumstance exists.

7. Payments**(a) Method of payment**

- (i) Payments of principal in respect of Notes shall be made in USD against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest (including Arrears of Interest) on the Notes shall be paid in USD to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Note shall be made in USD by transfer to a USD account maintained by or on behalf of the payee with a bank and (in the case of interest payable on redemption) upon presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar.

(b) Payments subject to fiscal laws

All payments are in all cases subject to any applicable fiscal or other laws, regulations and directives in any jurisdiction and the Issuer will not be liable to pay any additional amount in respect of taxes or duties of whatever nature imposed or levied by or pursuant to such laws, regulations or directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders in respect of such payments. For the purpose of this paragraph, the phrase “subject to any applicable fiscal or other laws, regulations and directives” shall include any withholding or deduction imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (“**FATCA**”), any regulations thereunder, any law implementing an inter-governmental approach thereto, any agreement entered into pursuant to FATCA, or any official interpretation of FATCA.

(c) Appointment of Agents

The Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Agent Bank initially appointed by the Issuer and their respective specified offices are listed below. Subject as provided in the Agency Agreement, the Principal Paying Agent, the Paying Agents, the Agent Bank, the Registrar and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time with the approval of

the Trustee to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Agent Bank, the Registrar and any Transfer Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, and (iv) an Agent Bank whenever and for so long as a function expressed in these Conditions to be performed by the Agent Bank is required to be performed.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 16.

(d) Non-Business Days

If any date for payment in respect of any Note is not a Business Day, the Noteholder shall not be entitled to payment until the next following Business Day and shall not be entitled to any interest or other sum in respect of such postponed payment.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Taxing Territory, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required by law to be made (“**Additional Amounts**”), except that no such Additional Amounts shall be payable with respect to any Note:

(a) Other connection

in respect of which the relevant Certificate is presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with that Taxing Territory other than the mere holding of the Note; or

(b) Lawful avoidance of withholding

in respect of which the relevant Certificate is presented for payment by or on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption in the place where the relevant Certificate is presented for payment; or

(c) Presentation more than 30 days after the Relevant Date

in respect of which the relevant Certificate is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the

holder of it would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth day after the Relevant Date; or

(d) *Any combination*

where such withholding or deduction arises out of any combination of paragraphs (a) to (c) above.

As used in these Conditions, “**Relevant Date**” in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the relevant Certificate (if required) being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to principal and/or interest shall be deemed to include any Additional Amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

9. Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest including, without limitation, Arrears of Interest) from the appropriate Relevant Date in respect of them.

10. Events of default and enforcement

(a) Rights to institute and/or prove in a winding-up

Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings is limited to circumstances where payment has become due and is not duly paid. Pursuant to Condition 3(b), no principal, interest or any other amount will be due on the relevant payment date if the Solvency Condition is not satisfied, at the time of and immediately after any such payment. In the case of any payment of interest in respect of the Notes, such payment may be deferred pursuant to Condition 5(a) and if so deferred will not be due, and will be deferred and not be due if Condition 5(b) applies, and, in the case of payment of principal, such payment will be deferred and will not be due if Condition 6(a)(ii) applies or the Relevant Regulator does not consent to the redemption or objects to the redemption (to the extent that consent or non-objection is then required by the Relevant Regulator or the Relevant Rules), or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date.

If default is made for a period of 14 days or more in the payment of any interest due (including, without limitation, Arrears of Interest) or principal due in respect of the Notes or any of them, the Trustee in its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 10(d)) institute

proceedings for the winding-up of the Issuer and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer for such payment, but may take no further or other action to enforce, prove or claim for any such payment. No payment in respect of the Notes or the Trust Deed may be made by the Issuer pursuant to Condition 10(a), nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received consent or non-objection (if required) from, the Relevant Regulator, which the Issuer shall confirm in writing to the Trustee.

(b) Amount payable on winding-up or administration

If an order is made by the competent court or resolution passed for the winding-up of the Issuer (except, in any such case, a solvent winding-up, solely for the purpose of a reconstruction or amalgamation of the Issuer, the terms of which reconstruction or amalgamation (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (ii) do not provide that the Notes shall thereby become payable) or an administrator of the Issuer gives notice that it intends to declare and distribute a dividend, the Trustee at its discretion may, and if so requested by Noteholders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 10(d)), give notice to the Issuer (or, as applicable, the administrator or liquidator) that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount together with Arrears of Interest, if any, and any other accrued interest, and the claim in respect thereof will be subordinated as provided in Condition 3(a).

(c) Enforcement

Without prejudice to Condition 10(a) or (b), the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed, or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed including, without limitation, payment of any principal or interest (including, without limitation, Arrears of Interest) in respect of the Notes and any damages awarded for breach of any obligations) and in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums (in cash or otherwise) sooner than the same would otherwise have been payable by it. Nothing in this Condition 10(c) shall, subject to Condition 10(a), prevent the Trustee instituting proceedings for the winding-up of the Issuer, proving in any winding-up of the Issuer and/or claiming in any liquidation of the Issuer in respect of any payment obligations of the Issuer arising from the Notes or the Trust Deed (including without limitation, payment of any principal or interest (including, without limitation, Arrears of Interest) in respect of the Notes and any damages awarded for any breach of any obligations).

(d) Entitlement of the Trustee

The Trustee shall not be bound to take any of the actions referred to in Conditions 10(a), 10(b) or 10(c) to enforce the obligations of the Issuer under the Trust Deed or the Notes

unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(e) Right of Noteholders

No Noteholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.

(f) Extent of Noteholders' remedy

No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or the Noteholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

11. Meetings of Noteholders, modification, waiver and substitution

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons holding or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Arrears of Interest on the Notes, (ii) to reduce or cancel the principal amount of the Notes, (iii) to reduce the rate or rates of interest or Arrears of Interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any interest amount in respect of the Notes, (iv) to vary the currency or currencies of payment or denomination of the Notes, (v) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (vi) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (vii) to modify Condition 3, in which case the necessary quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being

outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed made in the circumstances described in Condition 6(c) or 6(e) in connection with the substitution or variation of the Notes so that they remain or become Qualifying Tier 2 Securities or in the circumstances described in Condition 6(f) in connection with the substitution or variation of the Notes so that they become Rating Agency Compliant Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 6(c), 6(e) or 6(f), as the case may be.

(b) Modification of the Trust Deed or the Agency Agreement

The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of these Conditions and the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions and the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders.

Any such modification, authorisation or waiver shall be binding on the Noteholders and, unless the Trustee agrees otherwise, be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 16.

(c) Notice to Relevant Regulator

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless (to the extent then required by the Relevant Regulator or the Relevant Rules) the Issuer shall have given at least one month's prior written notice to, and received consent or no objection from, the Relevant Regulator (or such other period of notice as the Relevant Regulator may from time to time require or accept) and the Issuer shall promptly provide a copy to the Trustee.

(d) Substitution

The Trustee may agree with the Issuer, without the consent of the Noteholders, to the substitution on a subordinated basis equivalent to that referred to in Condition 3 of any person or persons incorporated in any country in the world (the "**Substitute Obligor**") in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed and the Notes provided that:

- (i) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed and the Notes, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in the Trust Deed and on the Notes as the

principal debtor in place of the Issuer (or of any previous Substitute Obligor, as the case may be);

- (ii) (unless the successor in business of the Issuer is the Substitute Obligor) the obligations of the Substitute Obligor under the Trust Deed and the Notes are guaranteed by the Issuer (or the successor in business of the Issuer) on a subordinated basis equivalent to that referred to in Condition 3 and in the Trust Deed and in a form and manner satisfactory to the Trustee, and provided further that the obligations of such guarantor shall be subject to a solvency condition equivalent to that set out in Condition 3(b), such guarantor shall not exercise rights of subrogation or contribution against the Substitute Obligor without the consent of the Trustee and the only event of default applying to such guarantor shall be an event of default equivalent to that set out in Condition 10(a);
- (iii) the directors of the Substitute Obligor or other officers acceptable to the Trustee certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected (and the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer);
- (iv) (without prejudice to the rights of reliance of the Trustee under sub-paragraph (iii) above) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;
- (v) (without prejudice to the generality of sub-paragraph (i) above) the Trustee may in the event of such substitution agree, without the consent of the Noteholders, to a change in the law governing the Trust Deed and/or the Notes, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders; and
- (vi) the Issuer and the Substitute Obligor comply with such other requirements as are reasonable in the interests of the Noteholders, as the Trustee may direct.

In connection with any proposed substitution as aforesaid, the Trustee shall have regard to the interests of the Noteholders as a class and the Trustee shall not have regard to the consequences of such substitution or such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any substitution or such exercise as aforesaid, no Noteholder shall be entitled to claim, whether from the Issuer, the Substitute Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Noteholders except to the extent already provided in Condition 8 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any substitution pursuant to this Condition 11 shall be subject (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator.

12. Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in Condition 11) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder or be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

13. Limitation on Trustee actions and indemnification of the Trustee

(a) Limitation on Trustee actions

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

(b) Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including (i) provisions relieving it from taking any action unless indemnified and/or secured and/or prefunded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

14. Replacement of Notes and Certificates

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Transfer Agent as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificates) and otherwise as the Issuer may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. Further issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

16. Notices

Notices to Noteholders shall be mailed to them at their respective addresses in the Register and, if and for so long as the Notes are admitted to trading on the London Stock Exchange or on any other stock exchange, notices will also be given in accordance with any applicable requirements of such stock exchange. Any notice shall be deemed to have been given on the second weekday (being a day other than a Saturday or a Sunday) after the date of mailing or on the date of publication, or, if published more than once or on different dates, on the first date on which publication is made.

17. Contracts (Rights of Third Parties) Act 1999

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

18. Definitions

As used herein:

“5-year Treasury Rate” means, in respect of any Reset Period:

- (i) the rate in per cent. per annum equal to the arithmetic mean of the bid and offered yields of the relevant Reference Bond as determined by the Agent Bank in a commercially reasonable manner by reference to the Screen Page at approximately 11:00 a.m. (New York time) on the Reset Determination Date in respect of such Reset Period; or
- (ii) if such rate does not appear on the Screen Page at such time on the Reset Determination Date in respect of such Reset Period, the Reset Reference Bank Rate on such Reset Determination Date.

“Additional Amounts” has the meaning given to it in Condition 8;

“Arrears of Interest” has the meaning given to it in Condition 5(c);

“Assets” means the unconsolidated gross assets of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for subsequent events, all in such manner as the Directors may determine;

“Authorised Signatory” has the meaning given to it in the Trust Deed;

“Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business:

- (i) (in the case of Condition 2(b)) in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be);
- (ii) (in the case of Condition 7(d)) in the relevant place of presentation; or
- (iii) (in any other case) in London and New York;

A **“Capital Disqualification Event”** is deemed to have occurred if as a result of any replacement of or change to (or change to the interpretation by any court or authority entitled to do so of) the Relevant Rules, the entire principal amount of the Notes then outstanding is fully excluded from counting as Tier 2 Capital for the purposes of the Issuer or the Group, whether on a solo, group or consolidated basis, except (in any case) where such non-qualification is only as a result of any applicable limitation on the amount of such capital;

“Compulsory Interest Payment Date” means any Interest Payment Date in respect of which during the immediately preceding six months a Compulsory Interest Payment Event has occurred, and which is not a Mandatory Interest Deferral Date and on which the Solvency Condition is satisfied;

“Compulsory Interest Payment Event” means:

- (i) any declaration, payment or making of a dividend or distribution by the Issuer to its ordinary shareholders;
- (ii) any repurchase by the Issuer of its ordinary shares for cash, provided such repurchase is not made in the ordinary course of business of the Issuer in connection with any share option scheme or share ownership scheme for management or employees of the Issuer or management or employees of affiliates of the Issuer;
- (iii) any declaration or payment of dividends, interest or other payment (including, for the avoidance of doubt, any payment of principal) by the Issuer in respect of any Pari Passu Securities or Junior Securities (in each case, other than any Mandatory Payment); or

- (iv) any Pari Passu Securities or Junior Securities being purchased by the Issuer or any Subsidiary of the Issuer;

“**Directors**” means the directors of the Issuer;

“**Existing Undated Tier 2 Notes**” means the 6.75 per cent. sterling fixed rate subordinated perpetual notes originally issued by SL Finance plc (which was subsequently substituted for the Issuer) on 12 July 2002 (ISIN: XS0151267878);

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

“**First Call Date**” means 30 June 2028;

“**Group**” means, at any time, the Group Holding Company and its Subsidiaries at such time;

“**Group Holding Company**” means, as at the Issue Date, the Issuer, or, as at any time after the Issue Date, the ultimate insurance holding company of the Issuer, if different to the Issuer, that is subject to consolidated supervision by the Relevant Regulator for the purposes of the Relevant Rules;

“**Group Insurance Undertaking**” means an insurance undertaking within the meaning of the Relevant Rules whose data is included for the purposes of the calculation of the Solvency Capital Requirement of the Group pursuant to the Relevant Rules;

“**Initial Interest Rate**” means 4.25 per cent. per annum;

“**Insolvent Insurer Winding-up**” means:

- (i) the winding-up of any Group Insurance Undertaking; or
- (ii) the appointment of an administrator of any Group Insurance Undertaking,

in each case, where the Issuer has determined, acting reasonably, that the assets of that Group Insurance Undertaking may or will be insufficient to meet all the claims of the policyholders and/or beneficiaries pursuant to contracts of insurance written by that Group Insurance Undertaking which is in winding-up or administration (and for these purposes, the claims of such policyholders or such beneficiaries pursuant to a contract of insurance shall include all amounts to which such policyholders or such beneficiaries are entitled under applicable legislation or rules relating to the winding-up of insurance companies to reflect any right to receive or expectation of receiving benefits which such policyholders or such beneficiaries may have);

“**Interest Payment Date**” means 30 June and 30 December in each year, from (and including) 30 June 2018 to (and including) the Maturity Date;

“**Issue Date**” means 18 October 2017, being the date of the initial issue of the Notes;

“Junior Securities” has the meaning given to it in Condition 3(a);

“Liabilities” means the unconsolidated gross liabilities of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events, all in such manner as the Directors may determine;

“Mandatory Interest Deferral Date” means each Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest (in whole or in part) were made on such Interest Payment Date;

“Mandatory Payment” means, in respect of any Pari Passu Securities or Junior Securities, any distribution, payment (including, for the avoidance of doubt, any payment of principal) or dividend that the board of directors of the Issuer is not permitted to cancel, defer, pass or eliminate at its discretion, or continue to cancel, defer, pass or eliminate;

“Maturity Date” means 30 June 2048;

“Minimum Capital Requirement” means the Minimum Capital Requirement, the minimum consolidated group Solvency Capital Requirement or such other applicable minimum capital requirements (as applicable) referred to in the Relevant Rules;

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

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

“Pari Passu Securities” has the meaning given to it in Condition 3(a);

“Qualifying Tier 2 Securities” means securities issued (including by way of exchange, conversion or otherwise) directly by the Issuer or indirectly and guaranteed by the Issuer (such guarantee to rank on a subordinated basis equivalent to that referred to in Condition 3 and in the Trust Deed) that:

- (i) have terms not materially less favourable to a holder than the terms of the Notes, as reasonably determined by the Issuer in consultation with an independent investment bank of international standing, provided that they shall (1) contain terms which comply with the Relevant Rules (on the basis that the Notes are intended to qualify as Tier 2 Capital), (2) carry the same rate of interest from time to time as that applying to the Notes, (3) rank senior to, or *pari passu* with, the Notes, and (4) preserve any existing rights under these Conditions to any accrued interest and any Arrears of Interest which have not been paid; and
- (ii) are listed or admitted to trading on the regulated market of the London Stock Exchange or such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and notified in writing to the Trustee,

and provided that a certification to the effect of (i) above, signed by two Authorised Signatories, shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without further investigation and without liability to any person) prior to the issue of the relevant securities;

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

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

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

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

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

“Record Date” has the meaning given to it in Condition 7(a);

“Reference Banks” means five banks which are primary U.S. Treasury securities dealers or market makers in pricing corporate bond issues denominated in USD (excluding the Agent Bank or any of its affiliates), as selected by the Agent Bank after consultation with the Issuer;

“Reference Bond” means, in respect of any Reset Period, the U.S. Treasury security, as selected by the Issuer on the advice of an investment bank of international repute, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in USD and with a maturity date falling on or around the last day of such Reset Period;

“Reference Bond Quotation” means, with respect to each Reference Bank, the arithmetic mean, as determined by the Agent Bank, of the bid and offered yields for the relevant Reference Bond provided to the Agent Bank by such Reference Bank at

approximately 11:00 a.m. (New York time) on the relevant Reset Determination Date for any Reset Period;

“Regulatory Deficiency Interest Deferral Event” means any event (including, without limitation, any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer or all or part of the Group (which part includes the Issuer) to be breached and such breach is an event) which under the Relevant Rules requires the Issuer to defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes and where the Relevant Regulator has not waived the requirement to defer payment of interest under the Notes (on the basis that the Notes are intended to qualify as Tier 2 Capital under the Relevant Rules);

“Regulatory Deficiency Redemption Deferral Event” means any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer or all or part of the Group (which part includes the Issuer) to be breached and the continuation of such Insolvent Insurer Winding-up is, or as the case may be, such breach is, an event) which under the Relevant Rules requires the Issuer to defer or suspend repayment or redemption of the Notes and where the Relevant Regulator has not waived the requirement to defer or suspend repayment or redemption of the Notes (on the basis that the Notes are intended to qualify as Tier 2 Capital under the Relevant Rules);

“Relevant Date” has the meaning given to it in Condition 8;

“Relevant Regulator” means the UK Prudential Regulation Authority or such successor or other authority having primary supervisory authority with respect to prudential matters in relation to the Issuer and/or the Group;

“Relevant Rules” means, at any time, any legislation, rules, guidelines or regulations (whether having the force of law or otherwise) then applying to the Issuer or the Group relating, but not limited to, to own funds, capital resources, capital requirements, financial adequacy requirements or other prudential matters (including, but not limited to, the characteristics, features or criteria of any of the foregoing) and without limitation to the foregoing, includes (to the extent then applying as aforesaid) Solvency II and any legislation, rules, guidelines or regulations of the Relevant Regulator relating to such matters;

“Reset Determination Date” means, in respect of any Reset Period, the second Business Day prior to the first day of each such Reset Period;

“Reset Margin” means 1.915 per cent. per annum;

“Reset Date” means the First Call Date and each date falling five, or an integral multiple of five, years thereafter;

“Reset Period” means each period from (and including) a Reset Date to (but excluding) the following Reset Date;

“Reset Interest Rate” means, in respect of any Reset Period, the rate of interest determined by the Agent Bank on the relevant Reset Determination Date in respect of such Reset Period as the sum of:

- (i) the 5-year Treasury Rate in respect of such Reset Period (expressed as a rate per annum);
- (ii) the Reset Margin; and
- (iii) the step-up margin of 1.00 per cent. per annum.

“Reset Reference Bank Rate” means, in respect of any Reset Period, the rate in per cent. per annum determined by the Agent Bank on the basis of the Reference Bond Quotations provided by the relevant Reference Banks to the Agent Bank at approximately 11:00 a.m. (New York time) on the relevant Reset Determination Date for such Reset Period. If at least three such Reference Bond Quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the Reference Bond Quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two Reference Bond Quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the Reference Bond Quotations provided. If fewer than two Reference Bond Quotations are provided, the Reset Reference Bank Rate for the relevant Reset Period will be (i) in the case of each Reset Period other than the first Reset Period, the 5-year Treasury Rate in respect of the immediately preceding Reset Period or (ii) in the case of the first Reset Period, the Initial Interest Rate less the Reset Margin;

“Screen Page” means Bloomberg page PX1 or such other page as may replace it on Bloomberg or, as the case may be, on such other information service that may replace Bloomberg, as may be nominated by the Issuer on the advice of an investment bank of international standing for the purpose of displaying yields for the relevant Reference Bond;

“Senior Creditors” means (a) creditors of the Issuer who are unsubordinated creditors of the Issuer including all policyholders of the Issuer and all beneficiaries under contracts of insurance written by the Issuer (for the avoidance of doubt, the claims of policyholders and such beneficiaries shall include all amounts to which policyholders or such beneficiaries are entitled under applicable legislation or rules relating to the winding-up of insurance companies to reflect any right to receive or expectation of receiving benefits which policyholders or such beneficiaries may have) and (b) other creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those (A) whose claims are in respect of instruments or obligations which constitute, or would but for any applicable limitation on the amount of any such capital constitute, (i) Tier 1 Capital or (ii) Tier 2 Capital (in the case of any such tier whether issued on, before or after Solvency II Implementation) or (B) whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders);

“Solvency Capital Requirement” means the Solvency Capital Requirement or the consolidated group Solvency Capital Requirement (as applicable) referred to in, or any other applicable capital requirement howsoever described in, the Relevant Rules;

“Solvency II” means the Solvency II Directive and any implementing measures adopted pursuant to the Solvency II Directive including, without limitation, the Solvency II Regulation (for the avoidance of doubt, whether implemented by way of a regulation, a directive, guidelines or otherwise);

“Solvency II Directive” means Directive 2009/138/EC of the European Parliament and of the Council of the European Union of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) (as amended);

“Solvency II Implementation” means 1 January 2016;

“Solvency II Regulation” means the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council of the European Union on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) (as amended);

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

“successor in business” has the meaning given to it in the Trust Deed;

“Tax Law Change” has the meaning given to it in Condition 6(c);

“Taxing Territory” means the United Kingdom or any political subdivision or authority therein or thereof having power to tax, or any other territory or any political subdivision or authority thereof or therein having power to tax to whose taxing jurisdiction the Issuer becomes generally subject;

“Tier 1 Capital” has the meaning given to it for the purposes of the Relevant Rules from time to time (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules);

“Tier 2 Capital” has the meaning given to it for the purposes of the Relevant Rules from time to time (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules);

“UK Listing Authority” means the UK Financial Conduct Authority in its capacity as UK listing authority for the purposes of the Financial Services and Markets Act 2000 (as amended) (“**FSMA**”) or any successor authority or authorities appointed as the competent UK listing authority for the purposes of Part VI (Official Listing) of FSMA or otherwise;

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

“U.S.” means the United States of America; and

“USD” and “\$” means the lawful currency of the United States of America.

19. Governing law and jurisdiction

(a) Governing law

The Trust Deed and the Notes and any non-contractual obligations arising out of or in connection with the Trust Deed and the Notes are governed by, and shall be construed in accordance with, English law, save that the provisions of Condition 3 (and the related provisions of the Trust Deed) relating to the status and subordination of the Notes shall be governed by and construed in accordance with Scots law.

(b) Jurisdiction

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

Overview of the Notes while in Global Form

1. Initial Issue of Certificates

The Global Certificate (as defined in the Trust Deed) will be registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg (the “**Common Depository**”) and may be delivered on or prior to the Issue Date.

Upon the registration of the Global Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid.

2. Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system approved by the Trustee (an “**Alternative Clearing System**”) as the holder of a Note represented by the Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to the registered holder of the Global Certificate in respect of each amount so paid.

3. Exchange

Interests in the Global Certificate will be exchangeable (free of charge to the holder), in whole but not in part, for Definitive Certificates only if:

- (a) an Event of Default (as defined out in the Trust Deed) has occurred and is continuing;
or
- (b) Euroclear and Clearstream, Luxembourg are both closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or both announce an intention permanently to cease business or do in fact do so.

Any reference herein to Euroclear and/or Clearstream, Luxembourg, shall, wherever the context so permits, be deemed to include a reference to any Alternative Clearing System.

4. Amendments to Conditions

The Global Certificate contains provisions that apply to the Notes that it represents, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

4.1 Payments

All payments in respect of Notes represented by the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment (where "Clearing System Business Day" means Monday to Friday (inclusive) except 25 December and 1 January). The calculation of all payments on the Notes will be made in respect of the total aggregate amount of the Notes represented by the Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Conditions, all in accordance with the Conditions and the Trust Deed.

4.2 Meetings

For the purposes of any meeting of Noteholders, the holder of the Notes represented by the Global Certificate shall be treated as being entitled to one vote in respect of each \$1,000 in principal amount of the Notes.

4.3 Trustee's Powers

In considering the interests of Noteholders while the Global Certificate is held on behalf of, or registered in the name of any nominee for, a Clearing System, the Trustee may have regard to any information provided to it by such Clearing System or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests as if such accountholders were the holders of the Notes represented by the Global Certificate.

4.4 Notices

So long as all the Notes are represented by the Global Certificate and it is held on behalf of a Clearing System, notices to Noteholders will be given by delivery of the relevant notice to that Clearing System for communication by it to entitled accountholders in substitution for notification as required by the Conditions, provided that, so long as the Notes are admitted to the official list maintained by the Financial Conduct Authority in its capacity as the UK Listing Authority (the "UKLA") and admitted to trading on the London Stock Exchange's regulated market, all requirements of the UKLA have been complied with. A notice will be deemed to have been given to accountholders on the day on which such notice is sent to the relevant Clearing System for delivery to entitled accountholders.

4.5 Electronic Consent and Written Resolution

While the Global Certificate is registered in the name of any nominee for a Clearing System, then:

- (a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing System(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in principal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would

otherwise require an Extraordinary Resolution to be passed at a meeting), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and

- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer, and/or the Trustee, as the case may be, by accountholders in the clearing system with entitlements to such Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, “**commercially reasonable evidence**” includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. None of the Issuer and the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

Business Description

General

The Issuer is a public limited company incorporated under the laws of Scotland, with registered number SC286832, and is the holding company of the Group. The Group's main activities are the provision of products and services in relation to long-term insurance and savings, corporate pensions and benefits businesses, investment and fund management.

The issued share capital of the Issuer at 31 August 2017 comprised 2,977,271,318 ordinary shares of 12 2/9 pence all of which are fully paid. This results in a total issued share capital of £364 million.

The Issuer's registered office is Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH, Scotland. The telephone number is +44 (0)131 225 2552.

The Group's history

Standard Life Group

The Standard Life Assurance Company ("**SLAC**") was established in 1825 and the first Standard Life Assurance Company Act was passed by the UK Parliament in 1832. SLAC was reincorporated as a mutual assurance company in 1925. It originally operated only through branches or agencies of the mutual company in the United Kingdom and certain other countries. Its Canadian branch was founded in 1833 and its Irish operations were founded in 1834. This largely remained the structure of the group until 1996, when it opened a branch in Frankfurt, Germany.

In the 1990s, the Group sought to diversify its operations into areas which complemented its core life assurance and pensions business, with the intention of positioning itself as a broad range financial services provider.

In the early part of 2004, SLAC undertook a strategic review of its business. The strategic review was wide-ranging and examined the Group's business in its entirety, both in the United Kingdom and overseas, assessing the potential for a number of operational and financial improvements, but with a particular focus on UK Life and Pensions. It was also acknowledged that the Group's mutual structure, and the increased regulation to which it was subject, imposed limitations on its ability to access additional capital and could limit opportunities for planned growth and development, placing the Group at a disadvantage to insurance companies which did not have such a structure. On 10 July 2006, SLAC demutualised and Standard Life plc was floated on the London Stock Exchange and joined the FTSE 100 index.

In recent years, through the sale of Standard Life Healthcare, Standard Life Bank and its Canadian companies, the Standard Life Group has been transformed into a "capital-lite" investment group (which means that it does not require significant amounts of additional capital as it continues to grow) with 92 per cent. of total operating income attributed to fee-based revenue for the 12 months to 31 December 2016.

Aberdeen Group

Aberdeen was formed in 1983, as Aberdeen Fund Managers Limited, to take over the investment business of an Aberdeen-based firm of solicitors providing fund management and secretarial services to a quoted investment trust and to a small number of institutions and private clients. Martin Gilbert, Aberdeen's chief executive, was a founding shareholder. In 1991, Aberdeen obtained its listing on the London Stock Exchange under the name of Aberdeen Trust PLC. Aberdeen changed its name to Aberdeen Asset Management PLC in 1997.

Through multiple acquisitions and organic growth, the scale of Aberdeen's operations, locally and internationally, has changed dramatically since it was founded in 1983. While Aberdeen has acquired a number of businesses since its incorporation, key transactions have included:

- The UK and U.S. institutional businesses of Deutsche Asset Management (2005): expanded the Aberdeen Group's presence globally and diversified its assets under management ("**AuM**") by the addition of a significant fixed income capability;
- Certain fund management assets and businesses from Credit Suisse Group (2009): added approximately £35 billion in AuM to Aberdeen's operations; and
- Scottish Widows Investment Partnership Limited from Lloyds Banking Group plc (2014): added approximately £136 billion in AuM to Aberdeen's operations.

Additional Unaudited Financial Information

Certain additional unaudited financial information for the Standard Life Group and the Aberdeen Group for the years ending 31 December 2016 and 2015 is included in the tables below.

Standard Life Group

(A) Profit and adjusted profit

Operating profit is an Alternative Performance Measure (which term, when used in this Prospectus, has the meaning given to it in the ESMA Guidelines on Alternative Performance Measures dated 5 October 2015) used by the Standard Life Group to provide supplementary analysis of profit for the year. Operating profit reporting provides further analysis of the results reported under IFRS and the directors of the Issuer believe it helps to give shareholders a fuller understanding of the performance of the business by identifying and analysing non-operating items. Following the Merger, the Group has renamed "operating profit before tax" as "adjusted profit before tax".

2016

	Standard Life Group for the year ended 31 December 2016 (Note 1) £m	Accounting policy changes (Note 2) £m	Total for the year ended 31 December 2016 £m
Fee based revenue	1,651	-	1,651
Spread/risk margin	134	-	134
Total adjusted operating income	1,785	-	1,785
Total adjusted operating expenses	(1,159)	3	(1,156)
Adjusted operating profit	626	3	629
Capital management	21	(8)	13
Share of joint ventures' and associates' profit before tax	76	-	76
Adjusted profit before tax	723	(5)	718

Adjusted profit by segment

	Standard Life Group for the year ended 31 December 2016 (Note 1) £m	Accounting policy changes (Note 2) £m	Total for the year ended 31 December 2016 £m
Standard Life Investments	383	3	386
Pensions and Savings	362	0	362
India and China	36	0	36
Other	(58)	(8)	(66)
Adjusted profit before tax	723	(5)	718
IFRS profit before tax expense attributable to equityholders' profits	487	-	487

2015

	Standard Life Group for the year ended 31 December 2015 (Note 1) £m	Accounting policy changes (Note 2) £m	Total for the year ended 31 December 2015 £m
Fee based revenue	1,579	-	1,579
Spread/risk margin	145	-	145
Total adjusted operating income	1,724	-	1,724
Total adjusted operating expenses	(1,124)	-	(1,124)
Adjusted operating profit	600	-	600
Capital management	9	(9)	-
Share of joint ventures' and associates' profit before tax	56	-	56
Adjusted profit before tax	665	(9)	656

Adjusted profit by segment

	Standard Life Group for the year ended 31 December 2015 (Note 1)	Accounting policy changes (Note 2)	Total for the year ended 31 December 2015
	£m	£m	£m
Standard Life Investments	342	-	342
Pensions and Savings	357	-	357
India and China	27	-	27
Other	(61)	(9)	(70)
Adjusted profit before tax	665	(9)	656
IFRS profit before tax expense attributable to equityholders' profits	415	-	415

Notes

- 1) As presented in the Issuer's audited annual financial statements for the years ending 31 December 2016 and 2015 respectively.
- 2) Following the completion of the Merger, the Group has changed the calculation of adjusted profit. Short term fluctuations in investment return and economic assumption changes will now only be adjusted for insurance business. Previously these adjustments also applied to non-insurance business. For the period ended 31 December 2016, this has resulted in an £8m (31 December 2015: £9m) reduction to the adjusted profit of the Other segment within capital management, and a £3m (31 December 2015: £nil) increase to the adjusted profit of the Standard Life Investments segment within operating expenses.

(B) Assets under administration ("AuA") and flow information

	Opening AuA at 1 January £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AuA at 31 December £bn
2016	307.4	42.1	(44.7)	(2.6)	52.3	357.1
2015	296.6	43.0	(36.7)	6.3	4.5	307.4

(C) Capital position**Reconciliation of Standard Life Investor view and Regulatory view**

	31 December 2016			
	Investor view	Less unrecognised capital	Add with profits funds and pension scheme	Regulatory view
	(Note 2)	(Note 2)	(Note 1)	(Note 1)
	£bn	£bn	£bn	£bn
Own funds	6.1	(0.1)	1.2	7.2
Solvency capital requirement (SCR)	(2.9)	-	(1.2)	(4.1)
Solvency II capital surplus	3.2	(0.1)	-	3.1
Solvency cover	210%			177%

Notes

- 1) As presented in the Issuer's unaudited half year results for the six months ended 30 June 2017.
- 2) Investor view at 31 December 2016 as presented in the Issuer's unaudited half year results for the six months ended 30 June 2017, showed Own funds of £6.2bn, SCR of £2.9bn, Solvency II capital surplus of £3.3bn, and Solvency cover of 214%. Following completion of the Merger, the Group has updated the definition of Investor view to 'The investor view of Solvency II adjusts the regulatory position for the impact from unrecognised capital within insurance undertakings and with profit funds / defined benefit pension plans.' Previously the definition adjusted for all unrecognised capital in insurance and investment management subsidiaries, rather than only unrecognised capital within insurance undertakings. This revised definition has resulted in a £0.1bn reduction in Investor view Own funds, a £0.1bn reduction in Investor view Solvency II capital surplus and a reduction in the Investor view Solvency cover to 210%. The unrecognised capital adjustment shown in the Issuer's unaudited half year results for the six months ended 30 June 2017, has been reduced from £0.2bn to £0.1bn as a result of this change in the definition of Investor view.

(D) Cash generation

<u>2016</u>	Standard Life Group for the year ended 31 December 2016 (Note 1)	Accounting policy changes (Note 2)	Total for the year ended 31 December 2016
	£m	£m	£m
Underlying cash generation	502	(4)	498

Notes

- 1) As presented in the Issuer's audited annual financial statements for the year ending 31 December 2016.
- 2) Adjusted to reflect the Issuer's adjusted profit policy change described in note 6 to the unaudited pro forma income statement.

2015	Standard Life Group for the year ended 31 December 2015 (Note 1)	Accounting policy changes (Note 2)	Total for the year ended 31 December 2015
	£m	£m	£m
Underlying cash generation	459	(7)	452

Notes

- 1) As presented in the Issuer's audited annual financial statements for the year ending 31 December 2015.
- 2) Adjusted to reflect the Issuer's adjusted profit policy change described in note 6 to the unaudited pro forma income statement.

*Aberdeen Group***(A) Profit and adjusted profit**

2016	Aberdeen Group for the year ended 30 September 2016 (Note 1)	Accounting practice and policy changes (Note 2)	Total for the year ended 31 December 2016
	£m	£m	£m
Fee based revenue	1,007	28	1,035
Spread/risk margin	-	-	-
Total adjusted operating income	1,007	28	1,035
Total adjusted operating expenses	(679)	(18)	(697)
Adjusted operating profit	328	10	338
Capital management	25	(27)	(2)
Adjusted profit before tax	353	(17)	336
IFRS profit before tax	222	2	224

Notes

- 1) Figures shown for adjusted profit before tax are "underlying profit", which was an Alternative Performance Measure presented by the Aberdeen Group, as presented in Aberdeen Asset Management plc's audited annual financial statements for the year ending 30 September 2016. Fee based revenue is net of commissions payable.
- 2) (a) Adjusted to bring into line with Standard Life Group accounting practice to prepare financial results for the period 1 January to 31 December. Adjusted profit increased by £9m and IFRS profit increased by £2m.
(b) Adjusted to align the presentation of the Aberdeen Group's underlying profit Alternative Performance Measure to adjusted profit of the Standard Life Group. Coupons payable on perpetual notes classified as equity were excluded from the Aberdeen Group underlying profit metric. The Group will now include these coupons payable within adjusted profit. This has resulted in a £26m reduction in the adjusted profit before tax of the Aberdeen Group within capital management.

2015	Aberdeen Accounting Total for the Group for the practice and year ended 30 September 2015 (Note 1)			policy changes (Note 2)			Total for the year ended 31 December 2015
	£m	£m	£m	£m	£m	£m	
Fee based revenue	1,169	(62)				1,107	
Spread/risk margin	-	-				-	
Total adjusted operating income	1,169	(62)				1,107	
Total adjusted operating expenses	(670)	8				(662)	
Adjusted operating profit	499	(54)				445	
Capital management	(7)	(20)				(27)	
Adjusted profit before tax	492	(74)				418	
IFRS profit before tax	354	(45)				309	

Notes

- Figures shown for adjusted profit before tax are "underlying profit", which was an Alternative Performance Measure presented by the Aberdeen Group, as presented in Aberdeen Asset Management plc's audited annual financial statements for the year ending 30 September 2015. Fee based revenue is net of commissions payable.
- (a) Adjusted to bring into line with Standard Life Group accounting practice to prepare financial results to the period 1 January to 31 December. Adjusted profit decreased by £51m and IFRS profit decreased by £45m.
(b) Adjusted to align the presentation of the Aberdeen Group's underlying profit Alternative Performance Measure to adjusted profit of the Standard Life Group. Coupons payable on perpetual notes classified as equity were excluded from the Aberdeen Group underlying profit metric. The Group will now include these coupons payable within adjusted profit. This has resulted in a £23m reduction in the adjusted profit before tax of the Aberdeen Group within capital management.

(B) AuA and flow information

2016	AuA at start of period	Gross inflows	Redemptions	Net flows	Market and other movements	AuA at end of period
	£bn	£bn	£bn	£bn	£bn	£bn
1 October 2015 to 30 September 2016 (Note 1)	283.7	39.0	(71.8)	(32.8)	61.2	312.1
Calendarisation adjustment (Note 2)	6.9	(0.7)	(0.7)	(1.4)	(14.9)	(9.4)
1 January 2016 to 31 December 2016	290.6	38.3	(72.5)	(34.2)	46.3	302.7

2015	AuA at start of period	Gross inflows	Redemptions	Net flows	Market and other movements	AuA at end of period
	£bn	£bn	£bn	£bn	£bn	£bn
1 October 2014 to 30 September 2015 (Note 1)	324.4	42.5	(76.4)	(33.9)	(6.8)	283.7
Calendarisation adjustment (Note 2)	(1.1)	(0.4)	(3.9)	(4.3)	12.3	6.9
1 January 2015 to 31 December 2015	323.3	42.1	(80.3)	(38.2)	5.5	290.6

Notes

- 1) As presented in Aberdeen Asset Management plc's audited annual financial statements for the years ending 30 September 2016 and 30 September 2015 respectively.
- 2) Adjusted to bring into line with Standard Life Group accounting practice to prepare financial results for the period 1 January to 31 December.

(C) Capital position

Aberdeen regulatory capital is shown below:

	As at 30 September 2016 (Note 1)	Calendarisation adjustment (Note 2)	As at 31 December 2016
	£m	£m	£m
Total regulatory capital after deductions	533	32	565
Pillar I capital requirement	(135)	-	(135)
Surplus over Pillar I capital requirement	398	32	430
Pillar II capital requirement	(473)	(18)	(491)
Surplus over Pillar II capital requirement	60	14	74

Notes

- 1) Total regulatory capital after deductions and Pillar II capital requirement are as presented in the Aberdeen investor presentation of the annual results to 30 September 2016. The Pillar I capital requirement is as presented in the Aberdeen 2017 Pillar 3 Market Disclosure Statement.
- 2) Adjusted to bring into line with Standard Life Group accounting practice to prepare financial results for the period 1 January to 31 December.

The Aberdeen contribution to the Issuer's Group Solvency II position (both investor and regulatory view) at 31 December 2016 would be:

- An increase in Own funds of £0.2bn. This represents the "Total regulatory capital after deductions" less the excess of the "Pillar II capital requirement" over the "Pillar I capital requirement".
- An increase in SCR of £0.1bn representing the "Pillar I capital requirement".

This contribution is based on the updated methodology for Investor view as noted in the Standard Life Group section (C) above.

(D) Cash generation

<u>2016</u>	Aberdeen Group for the year ended 30 September 2016 (Note 1) £m	Accounting practice and policy changes (Note 2) £m	Total for the year ended 31 December 2016 £m
Core cash generated from operating activities	363	21	384

Notes

- 1) As presented in Aberdeen Asset Management plc's audited annual financial statements for the year ending 30 September 2016.
- 2) Adjusted to bring into line with Standard Life Group accounting practice to prepare financial results for the period 1 January to 31 December. Core cash generation increased by £21m.

Core cash generated from operating activities is presented before tax paid of £50m and coupon payments made on perpetual capital notes of £26m.

<u>2015</u>	Aberdeen Group for the year ended 30 September 2015 (Note 1) £m	Accounting practice and policy changes (Note 2) £m	Total for the year ended 31 December 2015 £m
Core cash generated from operating activities	532	(74)	458

Notes

- 1) As presented in Aberdeen Asset Management plc's audited annual financial statements for the year ending 30 September 2015.
- 2) Adjusted to bring into line with Standard Life Group accounting practice to prepare financial results for the period 1 January to 31 December. Core cash generation decreased by £74m.

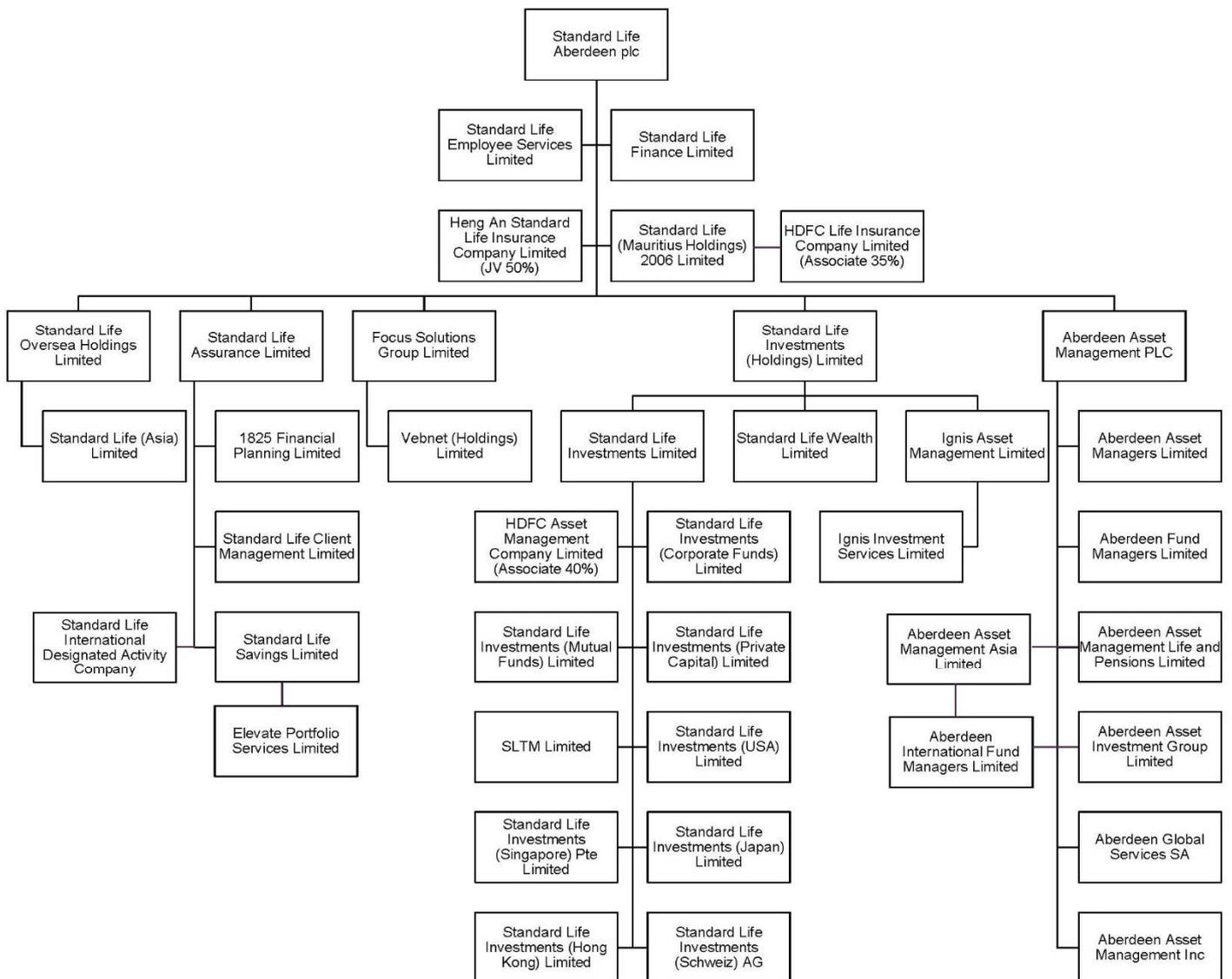
Core cash generated from operating activities is presented before tax paid of £63m and coupon payments made on perpetual capital notes of £23m.

Merger: creation of Standard Life Aberdeen plc

The Merger was effected by means of a court-sanctioned scheme of arrangement of Aberdeen under Part 26 of the Companies Act 2006 which was sanctioned by the High Court of Justice of England and Wales on 11 August 2017. The Merger completed on 14 August 2017 and the Issuer changed its name from Standard Life plc to Standard Life Aberdeen plc on 14 August 2017. As a result of the Merger, the entire issued share capital of Aberdeen is now owned by the Issuer.

Group Structure

The following chart gives an overview of the legal structure of the Group and the Issuer's position within the Group as at the date of this Prospectus.



Business of the Group

The Group is a leading investment group helping people to invest and manage their money through the provision of active asset management and long-term savings and investment propositions.

Investment management

The Group's investment management business, Aberdeen Standard Investments, was created by the coming together of Aberdeen and Standard Life Investments. It is responsible for approximately £581 billion of assets as at 31 December 2016 across a diverse range of investments, managed on behalf of clients globally.

Aberdeen Standard Investments specialises in active, fundamentals-driven investment management, operating globally and offering a wide range of investment solutions and funds. Its investment funds and solutions are available to clients through both institutional and wholesale distribution channels, and to insurance clients through active asset management services for life insurance clients around the world. It also provides active asset management services for life insurance books to the Group and to strategic partners such as the Phoenix Group. Key clients include leading sovereign, national and corporate, life and pension funds, central and global banks and other investment and financial institutions or companies across the globe.

Aberdeen Standard Investments manages investments across a wide range of asset classes and geographic markets, with capabilities across equities, fixed income, multi-asset and absolute return strategies, liquidity, quantitative investments, private markets, real estate and private wealth. It offers a range of investment vehicles including institutional and retail open-ended investment companies (OEICs), investment trusts, Luxembourg société d'investissement à capital variable (SICAV) funds and segregated fund mandates.

Aberdeen Standard Investments has a significant global presence, with over 1,000 investment professional staff located across 24 offices around the world, clients in 80 countries and client support in 50 locations as at 31 May 2017.

The associate business, HDFC Asset Management, is a manager of mutual funds in India. Distribution is also carried out through strategic partners including Lloyds Bank and Phoenix in the UK, John Hancock and Manulife in North America, Bosera International and Heng an Standard Life in China, Mitsubishi UFJ and Sumitomo Mitsui in Japan and Challenger in Australia.

Pensions and Savings

The Group is a leading provider of long-term savings and investment propositions, operating in the UK, Ireland and Germany. In the UK, the Group's workplace channel offers pensions, savings and flexible benefits schemes to employees through their employers. The Group's retail channel is a mix of intermediary relationships (financial advisers), direct customer relationships and its financial planning business (1825). The Group's valuable mature book comprises fee-based products such as pensions and with-profits as well as products, such as annuities, for long-standing customers.

Retail distribution is primarily through the Group's financial adviser platform. This platform proposition was expanded in 2016 as a result of the acquisition of the Elevate platform.

Workplace distribution is via employers and their advisers. Workplace business is primarily corporate pensions. Since auto-enrolment began in 2012, the Pensions and Savings business has supported over 8,000 employers to set up qualifying workplace pension schemes, with over one million members enrolled into these schemes.

The Europe business comprises Ireland and Germany, where the Group's Pensions and Savings business offers savings and investment products to a variety of customers and clients. Distribution is primarily via brokers and advisers.

The Pensions and Savings business also includes businesses that specialise in financial advice and risk and compliance services. The financial advice business, branded "1825", was launched in 2015 and offers a full financial planning and personal tax advice service. By the end of 2016, the acquisition of four adviser firms had been completed.

The Pensions and Savings business includes a range of products which are categorised as either fee-based or spread/risk business. In 2016, 87 per cent. of Pensions and Savings' total operating income was fee-based.

International businesses

In India, China and Hong Kong, the Group has extensive reach in a number of key savings markets.

HDFC Life, the associate business in India, sells individual and group life insurance policies via a network of around 400 branches as well as through a number of key bancassurance relationships. Additionally, through its investment in HDFC Asset Management, the Group is well-positioned in the Indian asset management sector where the growth potential is also significant. The Group is currently pursuing proposals for an initial public offering of HDFC Life, subject to appropriate market conditions and to relevant regulatory and other necessary approvals.

Heng An Standard Life (HASL), the joint venture business in China, has 82 offices offering life and health insurance products on both a group and individual basis. Sales are predominantly made direct to customers and clients. HASL also maintains relationships with banks and insurance brokers.

Strategic relationships

The Group also benefits from strategic relationships with a number of leading global organisations, including:

- Lloyds Banking Group, a major retail and commercial banking group in the UK, through an ongoing strategic relationship with Aberdeen. The Group looks forward to working with Lloyds to explore ways to build on Aberdeen's existing partnership.

- Mitsubishi UFJ Trust and Banking Corporation, one of the largest retail and commercial banking groups in Japan, through an ongoing strategic relationship with Aberdeen. Japan is one of the largest retirement markets in the world with a strong and growing defined contribution market.
- Phoenix Group, one of the largest closed life insurance consolidators in the UK, through an ongoing strategic relationship with the Standard Life Group.
- John Hancock in the United States, Manulife in Canada and in Asia, Bosera Asset Management in China, Sumitomo Mitsui in Japan, and Challenger in Australia, all through successful ongoing strategic relationships with the Standard Life Group.

More generally, the Issuer intends to continue to evaluate the shape and composition of the Group's businesses, including its insurance books, in a way that maximises strategic optionality and shareholder value.

Ratings

The Issuer has an issuer rating of A (stable) from Standard & Poor's Credit Market Services Europe Limited and of A3 (stable) from Moody's Investors Service Ltd.

Management

Directors of the Issuer

The following is a list of directors of the Issuer and their principal directorships held outside the Issuer which are, or may be, significant with respect to the Issuer, as at the date of this document. The business address of each of the directors referred to below is Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH, Scotland.

Name	Responsibilities in relation to the Issuer	Principal activities outside the Issuer
Sir Gerry Grimstone	Chairman	Barclays PLC (Deputy Chairman and Senior Independent Director) Barclays Bank PLC (Director) Barclays Capital Securities Limited (Director) Ministry of Defence (Lead Non-Executive) Deloitte LLP (Independent Non-Executive Director)

Name	Responsibilities in relation to the Issuer	Principal activities outside the Issuer
Simon Troughton	Deputy Chairman	Redburn (Europe) Limited (Director) Tulliment Developments Limited (Director) Tulliment Limited (Director) Nomina No 512 LLP (Member)
<i>Executive Directors</i>		
Keith Skeoch	Co-Chief Executive	Financial Reporting Council (Non-Executive Director)
Martin Gilbert	Co-Chief Executive Officer	Sky PLC (Deputy Chairman) Glencore plc (Non-Executive Director) Maven Capital (Telfer House) LLP (Member) The Haddeo Land LLP (Member) Cobalt Data Centre 2 LLP (Member) The Invicta Film Partnership No. 14 LLP (Member) Director of various Aberdeen funds Prudential Regulation Authority's Practitioner Panel (Chairman) Directors of the Institute of International Finance (Board Member) International Advisory Panel of the Monetary Authority of Singapore (Member) International Advisory Board of British American Business (Member)
Bill Rattray	Chief Financial Officer	Curtis Banks Group plc (Director)

Name	Responsibilities in relation to the Issuer	Principal activities outside the Issuer
		Dunavon House Hotel Limited (Director)
		Maven Capital (Telfer House) LLP (Member)
		Maven Capital (Llandudno) LLP (Member)
Rod Paris	Chief Investment Officer	ICE Benchmark Administration Limited (Director)
<i>Non-Executive Directors</i>		
Kevin Parry	Senior Independent Director	Intermediate Capital Group plc (Chairman)
		Daily Mail and General Trust plc (Non-Executive Director)
		Nationwide Building Society (Non- Executive Director)
		Royal National Children's Foundation (Director)
		K A H Parry Limited (Director)
Akira Suzuki	Non-Executive Director	Mitsubishi UFJ Trust and Banking Corporation (Managing Executive Officer)
		AMP Capital Holdings Limited (Director)
Gerhard Fuseing	Non-Executive Director	Credit Suisse Insurance Linked Strategies Ltd (Director)
John Devine	Non-Executive Director	Euroclear plc (Non-Executive Director)
		Citco Custody Limited (Non- Executive Director)

Name	Responsibilities in relation to the Issuer	Principal activities outside the Issuer
		<p>Blue Pebble Solutions Limited (Director)</p> <p>Mansfield Holdings (Director)</p>
Julie Chakraverty	Non-Executive Director	<p>Rungway Limited (Director)</p> <p>Girls Day School Trust (Trustee)</p>
Jutta af Rosenberg	Non-Executive Director	<p>Det Danske Klasselotteri A/S (Chairman)</p> <p>JPMorgan European Investment Trust plc (Non-Executive Director)</p> <p>NKT Holdings A/S (Non-Executive Director)</p> <p>The PGA European Tour (Director)</p>
Lynne Peacock	Non-Executive Director	<p>Nationwide Building Society (Senior Independent director)</p> <p>Scottish Water (Non-Executive Director)</p> <p>Scottish Water Horizons Holdings Limited (Director)</p> <p>Hawkins Residents Limited (Director)</p>
Martin Pike	Non-Executive Director	<p>Faraday Underwriting Limited (Non-Executive Director)</p> <p>esure Group plc (Non-Executive Director)</p> <p>Travers Smith LLP (Non-Executive Advisor)</p> <p>Greencore Construction Ltd (Director)</p> <p>Oxford Advanced Living (Director)</p>

Name	Responsibilities in relation to the Issuer	Principal activities outside the Issuer
Melanie Gee	Non-Executive Director	<p>The Weir Group PLC (Non-Executive Director)</p> <p>Lazard and Co. Limited (Senior Adviser)</p> <p>Ridgeway Partners Holdings (Director)</p>
Richard Mully	Non-Executive Director	<p>Great Portland Estates plc (Non-Executive Director)</p> <p>Alstria Office REIT-AG (Deputy Chairman)</p> <p>St. Modwen Properties PLC (Senior Independent Director)</p> <p>Starr Street Limited (Director)</p> <p>Actis LLP (Advisory Board Member)</p> <p>Hodes Weill & Associates (Advisory Board Member)</p>

Conflicts of Interest

There are no potential conflicts of interest between the duties to the Issuer of the persons listed under “*Directors of the Issuer*” above and their private interests or other duties.

Unaudited Pro Forma Financial Information

The unaudited pro forma income statement of the Group has been prepared based on the audited consolidated income statement of the Issuer for the year ended 31 December 2016 and the unaudited consolidated income statement of Aberdeen for the year ended 31 December 2016 to illustrate the effect on the income statement of the Group of the Merger as if it had taken place as at 1 January 2016.

The unaudited pro forma statement of net assets of the Group has been prepared based on the audited consolidated balance sheet of the Issuer as at 31 December 2016 and the unaudited consolidated balance sheet of Aberdeen as at 31 December 2016 to illustrate the effect on the net assets of the Group of the Merger as if it had taken place as at 31 December 2016.

The unaudited pro forma income statement of the Group and the unaudited pro forma statement of net assets of the Group together form the unaudited pro forma financial information.

The unaudited pro forma financial information set out in this section has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and, therefore, does not represent the Issuer or the Group's actual financial position or results.

The unaudited pro forma financial information has been prepared on a consistent basis with the accounting policies and presentation adopted by the Issuer in relation to the period ended 31 December 2016 on the basis of the notes set out below and in accordance with Annex II to the Prospectus Directive Regulation (809/2004/EC), as amended (the "**PD Regulation**"). The adjustments in the unaudited pro forma financial information are expected to have a continuing impact on the Group, unless stated otherwise.

Furthermore, the unaudited pro forma financial information set out in this section does not constitute financial statements within the meaning of section 434 of the Companies Act 2006.

1. Unaudited pro forma income statement relating to the Group

	Adjustments				Pro forma Group £m
	Standard Life Group for the year ended 31 December 2016 Note 1 £m	Aberdeen Group for the year ended 31 December 2016 Note 2 £m	Adjustments to conform to disclosures Note 3 £m	Acquisition adjustments Note 4 & 5 £m	
Revenue					
Gross earned premium	2,139				2,139
Premium ceded to reinsurers	(47)				(47)
Net earned premium	2,092				2,092
Investment return	15,376		371		15,747
Net gains (losses) on investments		23	(23)		-
Fee income	1,186	1,140			2,326
Other income	75		18		93
Total revenue	18,729	1,163	366		20,258
Expenses					
Claims and benefits paid	4,801				4,801
Claim recoveries from reinsurers	(492)				(492)
Net insurance benefits and claims	4,309				4,309
Change in reinsurance assets and liabilities	140				140
Change in insurance and participating contract liabilities	2,115				2,115
Change in unallocated divisible surplus	53				53
Change in non-participating investment contract liabilities	8,768		346		9,114
Expenses under arrangements with reinsurers	509				509
Administrative expenses					
Commission payable		105	(105)		-
Operating expenses		697	(697)		-
Amortisation and impairment of intangible assets		134	(134)		-
Restructuring and corporate transaction expenses	62	1	18	95	176
Other administrative expenses	1,494		936		2,430
Total administrative expenses	1,556	937	18	95	2,606
Provision for annuity sales practices	175				175
Change in liability for third party interest in consolidated funds	296				296
Finance costs	82	2			84
Total expenses	18,003	939	364	95	19,401
Share of profit from associates and joint ventures	63				63
Profit before tax	789	224	2	(95)	920
Tax expense attributable to policyholders' returns	302		2		304
Profit before tax expense attributable to equity holders' profits	487	224	-	(95)	616
Total tax expense	370	33	2	(2)	403
Less: Tax attributable to policyholders' returns	(302)		(2)		(304)
Tax expense attributable to equity holders' profits	68	33		(2)	99
Profit for the year	419	191	-	(93)	517
Attributable to:					
Equity holders of Standard Life plc	368	165	-	(93)	440
Non-controlling interests					
Ordinary shares	51	-	-	-	51
Preference shares and perpetual notes	-	26	-	-	26
	419	191	-	(93)	517

Notes

- (1) The figures for the Standard Life Group have been extracted without material adjustment from the audited financial statements of the Standard Life Group for the year ended 31 December 2016 incorporated by reference into this Prospectus.
- (2) The Aberdeen Group prepared audited financial statements for the year ended 30 September 2016, which are incorporated by reference into this Prospectus. The figures for the Aberdeen Group for the year ended 31 December 2016 have been prepared using these audited financial statements, with adjustments based on the unaudited monthly management information for the 3 months ended 31 December 2016 and the 3 months ended 31 December 2015.
- (3) This column reflects the following reclassifications to align the presentation of the Aberdeen Group's income statement to that of the Standard Life Group:
 - (i) The Aberdeen Group discloses "Commissions payable", "Operating expenses" and "Amortisation and impairment of intangible assets" separately on its income statement whereas the Standard Life Group discloses these items within "Other administrative expenses". This resulted in a £936m reclassification between the aforementioned line items.
 - (ii) The Aberdeen Group reflect all changes in non-participating investment contract liabilities through the statement of financial position whereas the Standard Life Group discloses these on the income statement. This has resulted in the recognition of £348m in "Investment return", £346m in "Change in non-participating investment contract liabilities" and £2m in "Tax expense attributable to policyholders' returns".
 - (iii) Within line item "Restructuring and acquisition-related income (costs)" the Aberdeen Group have included £18m in relation to a "Reduction in fair value of deferred consideration" whereas the Standard Life Group discloses this item within "Other income". This has been reclassified between the aforementioned line items.
 - (iv) The Aberdeen Group discloses "Net gains (losses) on investments" separately on its income statement whereas the Standard Life Group discloses this item within "Investment return". This resulted in a £23m reclassification between the aforementioned line items.
- (4) This column reflects the following adjustments:
 - (i) An adjustment of £95m charge within the line item "Restructuring and corporate transaction expenses" representing an estimate of the transaction costs incurred (inclusive of an estimate for irrecoverable VAT).
 - (ii) An adjustment of £2m credit within the line item "Tax expense attributable to equity holders' profits" representing a current tax credit on tax-deductible transaction costs incurred as described in Note 4(i) above. The tax rate used is 20 per cent., which reflects the average UK corporation tax rate for the year ended 31 December 2016.
 - (iii) As described in Note 5 to the pro forma statement of net assets, a fair valuation exercise is to be undertaken following the completion of the Merger on 14 August 2017. This will include fair valuation of the investment management and customer contracts and other intangibles attaching to the Aberdeen Group's business. These customer-related and other intangible assets will replace the Aberdeen Group's existing management contracts intangibles. Under IFRS, it is necessary to amortise these customer-related and other intangible assets on a systematic basis over the useful lifetime of the assets. The amortisation charge relating to the new intangible assets will replace the Aberdeen Group's existing management contracts amortisation charge. The actual rate of amortisation will also not be known until the fair value exercise is completed. In preparing the adjustments, no account has therefore been taken of this increased amortisation charge relating to intangible assets.
- (5) In preparing the unaudited pro forma income statement, no account has been taken of the trading activity or other transactions of the Standard Life Group or Aberdeen Group since 31 December 2016. Neither has any adjustment been made for any synergies, or related costs (which will be incurred post-Merger), which are anticipated to be achieved from the Merger. None of the adjustments described in Note 4 will have a continuing impact, with the exception of the adjustment in relation to the amortisation charges relating to any new intangible assets described in Note 4(iii).
- (6) Operating profit is an Alternative Performance Measure used by the Standard Life Group to provide supplementary analysis of profit for the year. Operating profit reporting provides further analysis of the results reported under IFRS and the directors of the Issuer believe it helps to give shareholders a fuller understanding of the performance of the

business by identifying and analysing non-operating items. Following the Merger, the Group has renamed “operating profit” as “adjusted profit”.

The following table illustrates the effect of the Merger on the reconciliation of consolidated adjusted profit to profit for the year of the Group for the year ended 31 December 2016.

Unaudited pro forma reconciliation of consolidated adjusted profit to profit for the year relating to the Group

	Standard Life Group for the year ended 31 December 2016 Note a £m	Aberdeen Group for the year ended 31 December 2016 Note b £m	Adjustments to conform to disclosures Note c £m	Acquisition adjustments Note d £m	Pro forma Group £m
Adjusted profit/(loss) before tax					
Aberdeen Standard Investments ¹	383	362	(23)		722
Pensions and Savings	362				362
India and China	36				36
Other	(58)		(8)		(66)
Adjusted profit before tax	723	362	(31)		1,054
Adjusted for the following items					
Short-term fluctuations in investment return and economic assumption changes	8		5		13
Restructuring and corporate transaction expenses	(67)	(1)	(18)	(95)	(181)
Amortisation and impairment of intangible assets acquired in business combinations	(38)	(134)			(172)
Provision for annuity sales practices	(175)				(175)
Coupons payable on perpetual notes classified as equity			26		26
Other	(2)	(3)	18		13
Total adjusting items	(274)	(138)	31	(95)	(476)
Share of associates' and joint ventures' tax expense	(13)				(13)
Profit attributable to non-controlling interests – ordinary shares	51				51
Profit before tax expense attributable to equity holders' profits	487	224	-	(95)	616
Tax (expense)/credit attributable to					
Adjusted profit	(127)	(59)	6		(180)
Adjusting items	59	26	(6)	2	81
Total tax expense attributable to equity holders' profits	(68)	(33)	-	2	(99)
Profit for the year	419	191	-	(93)	517
Attributable to:					
Equity holders of Standard Life plc	368	165	-	(93)	440
Non-controlling interests					
Ordinary shares	51	-	-	-	51
Preference shares and perpetual notes	-	26	-	-	26
	419	191	-	(93)	517

¹ The Standard Life Investments segment has been renamed as Aberdeen Standard Investments.

Notes on the unaudited pro forma reconciliation of consolidated adjusted profit to the profit for the year:

- a) The figures for the Standard Life Group have been extracted without material adjustment from the audited financial statements of the Standard Life Group for the year ended 31 December 2016 incorporated by reference into this Prospectus.
- b) Figures are “underlying profit” which was an Alternative Performance Measure presented by the Aberdeen Group. The Aberdeen Group prepared audited financial statements for the year ended 30 September 2016, which are incorporated by reference into this Prospectus. The figures for the Aberdeen Group for the year ended 31 December 2016 have been prepared using these audited financial statements, with adjustments based on the unaudited monthly management information for the 3 months ended 31 December 2016 and the 3 months ended 31 December 2015.
- c) This column reflects the following adjustments:
 - (i) Following the completion of the Merger, the Group have changed the calculation of adjusted profit. Short term fluctuations in investment return and economic assumption changes will now only be adjusted for insurance business. Previously these adjustments also applied to non-insurance business. This has resulted in an £8m reduction to the adjusted profit of the “Other” segment, a £3m increase to the adjusted profit of the “Aberdeen Standard Investments” segment, and a corresponding £5m adjustment to short term fluctuations in investment return and economic assumption changes, within adjusting items.
 - (ii) In addition, to align the presentation of the Aberdeen Group’s underlying profit Alternative Performance Measure to adjusted profit of the Standard Life Group, the following adjustments have been made:
 - a. Coupon payments on perpetual notes classified as equity were excluded from the Aberdeen Group underlying profit metric. The Group will now include these coupon payments within adjusted profit. This has resulted in a £26m reduction in the adjusted profit of the “Aberdeen Standard Investments” segment, and the corresponding inclusion of a £26m adjustment for “Coupons payable on perpetual notes classified as equity” within adjusting items.
 - b. Within the line item “Restructuring and corporate transaction expenses” the Aberdeen Group have included £18m in relation to a reduction in fair value of deferred consideration whereas the Standard Life Group discloses this item within “Other”. This has been reclassified between the aforementioned line items.
- d) This column reflects the following adjustments:
 - (i) An adjustment of £95m to adjusted items within the line item “Restructuring and corporate transaction expenses” representing an estimate of the transaction costs incurred (inclusive of an estimate for irrecoverable VAT).
 - (ii) An adjustment of £2m credit within the line item “Tax (expense)/credit attributable to Adjusting items” representing a current tax credit on tax-deductible transaction costs incurred as described above. The tax rate used is 20 per cent., which reflects the average UK corporation tax rate for the year ended 31 December 2016.

2. Unaudited pro forma statement of net assets relating to the Group

	Adjustments				Pro forma Group £m
	Standard Life Group as at 31 December 2016 Note (1) £m	Aberdeen Group as at 31 December 2016 Note (2) £m	Adjustments to conform to disclosures Note (3) £m	Acquisition adjustments Note (4), (5), (6) & (7) £m	
Assets					
Intangible assets	572	1,466		2,358	4,396
Deferred acquisition costs	651				651
Investments in associates and joint ventures	7,948		349		8,297
Investment property	9,929				9,929
Property, plant and equipment	89	20			109
Pension and other post-retirement benefit assets	1,093				1,093
Deferred tax assets	42	32			74
Reinsurance assets	5,386				5,386
Loans	295				295
Derivative financial assets	3,534				3,534
Investments		307	(307)		-
Assets backing investment contract liabilities		1,829	(1,829)		-
Equity securities and interests in pooled investment funds	83,307		1,618		84,925
Debt securities	67,933		349		68,282
Receivables and other financial assets	1,255	333	4		1,592
Current tax recoverable	166				166
Other assets	94		18		112
Assets held for sale	263				263
Cash and cash equivalents	7,938	844	3	(99)	8,686
Total assets	190,495	4,831	205	2,259	197,790
Liabilities					
Non-participating insurance contract liabilities	23,422				23,422
Non-participating investment contract liabilities	102,063	1,829			103,892
Participating contract liabilities	31,273				31,273
Deposits received from reinsurers	5,093				5,093
Third party interest in consolidated funds	16,835		234		17,069
Subordinated liabilities	1,319				1,319
Pension and other post-retirement benefit provisions	55	46			101
Deferred income	198		4		202
Deferred tax liabilities	259	76			335
Current tax liabilities	113	45		(2)	156
Derivative financial liabilities	965				965
Other financial liabilities	3,916		640		4,556
Deferred contingent consideration		47	(47)		-
Trade and other payables		386	(386)		-
Interest bearing loans and borrowings		240	(240)		-
Provisions	227	1			228
Other liabilities	113				113
Total liabilities	185,851	2,670	205	(2)	188,724
Net assets¹	4,644	2,161	-	2,261	9,066

¹ Net assets consist of equity attributable to equity holders of the Issuer of £8,348m and non-controlling interests of £718m.

Notes

- (1) The net assets of the Standard Life Group have been extracted without material adjustment from the audited financial statements of the Standard Life Group as at 31 December 2016 incorporated by reference into this Prospectus.
- (2) The net assets of the Aberdeen Group have been extracted from the unaudited monthly management information as at 31 December 2016, adjusted to a basis consistent with that used in the audited financial statements for the year ended 30 September 2016.
- (3) This column reflects the following reclassifications to align the presentation of the Aberdeen Group's net assets statement to that of the Standard Life Group:
 - (i) The Aberdeen Group discloses "Investments" separately on its balance sheet whereas the Standard Life Group discloses the items contained within this line item across various asset reporting lines within their balance sheet. This resulted in a £307m reclassification out of "Investments" and into "Investments in associates and joint ventures" (£131m), "Equity securities and interests in pooled investments funds" (£51m), "Debt securities" (£107m) and "Receivables and other financial assets" (£18m).
 - (ii) The Aberdeen Group discloses "Assets backing investments contracts" separately on its balance sheet whereas the Standard Life Group discloses the items contained within this line item across various asset and liability reporting lines within their balance sheet. This resulted in a £1,829m reclassification out of "Assets backing investment contracts" and into "Equity securities and interests in pooled investment funds" (£1,567m), "Investments in associates and joint ventures" (£218m), "Debt securities" (£242m), "Receivables and other financial assets" (£4m), "Cash and cash equivalents" (£3m) within assets and £205m increase to "Third party interest in consolidated funds" within liabilities.
 - (iii) Within line item "Receivables and other financial assets" the Aberdeen Group have included £18m in relation to "Prepayments" whereas the Standard Life Group includes such items in "Other assets". This has been reclassified between the aforementioned line items accordingly.
 - (iv) The Aberdeen Group discloses "Deferred contingent consideration" separately on its balance sheet whereas the Standard Life Group discloses this item within "Other financial liabilities". This resulted in a £47m reclassification between the aforementioned line items.
 - (v) The Aberdeen Group discloses "Trade and other payables" separately on its balance sheet whereas the Standard Life Group discloses the items contained within this line item across various reporting lines within their balance sheet. This resulted in a £386m reclassification out of "Trade and other payables" and into "Other financial liabilities" (£353m), "Third party interest in consolidated funds" (£29m) and "Deferred income" (£4m).
 - (vi) The Aberdeen Group discloses "Interests bearing loans and borrowings" separately on its balance sheet whereas the Standard Life Group discloses any bank overdrafts within "Other financial liabilities". This resulted in a £240m adjustment between the aforementioned line items.
- (4) Under IFRS acquisition accounting, it is necessary to fair value the consideration paid and all of the assets and liabilities of the acquired business. In the pro forma statement of net assets, no adjustments have been made to the fair values of the individual net assets of the Aberdeen Group to reflect any remeasurement to fair value which may have arisen on the Merger as this exercise is still to be undertaken following the completion of the Merger on 14 August 2017.
- (5) The adjustments arising as a result of the Merger are set out below:
 - (i) The adjustment reflects goodwill arising on the Merger and has been accounted for using the acquisition method of accounting. The excess of consideration over the book value acquired has been reflected as goodwill. A fair value exercise to allocate the purchase price is still to be completed following the completion of the Merger on 14 August 2017; therefore no account has been taken in the pro forma of any fair value adjustments that may have arisen on the acquisition, or for the value of customer-related or other intangibles to be recognised at the date of acquisition.

The equity consideration paid was through the issuance of new ordinary shares by the Standard Life Group (referred to as “consideration” in these notes). The consideration paid and the calculation of the adjustment to goodwill is set out below:

	Note	£m
Equity consideration	(ii)(a)	4,098
Less net assets acquired of the Aberdeen Group	(ii)(b)	(695)
Other equity acquired of the Aberdeen Group	(ii)(c)	421
Goodwill and other intangibles arising on acquisition		3,824
Less Aberdeen Group intangible assets already recognised	(ii)(b)	(1,466)
Pro forma adjustment required		2,358

(ii) The consideration has been settled as follows:

- (a) The consideration of £4,098m has been calculated as the issue of 997.7m shares at a share price of 410.8p being the closing price per ordinary share in the capital of the Issuer on 11 August 2017 and based on the exchange ratio for the Merger of 0.757 of a new ordinary share in the capital of the Issuer in exchange for each ordinary share in the capital of Aberdeen. As noted above, no account has been taken in the pro forma of any fair value adjustments that may arise on the acquisition. Similarly no account has been taken of any adjustments to the consideration relating to the award of deferred shares in Aberdeen which were replaced with deferred ordinary shares of the Issuer.
 - (b) The net assets acquired of £695m comprise the net assets of the Aberdeen Group as at 31 December 2016 of £2,161m net of the elimination of goodwill and other intangibles of £1,466m included in the Aberdeen Group balance sheet as at 31 December 2016.
 - (c) The adjustment for other equity of the Aberdeen Group relates to the carrying value of the US \$500 million 7.0 per cent. perpetual cumulative capital notes and the 5 per cent. 2015 non-voting perpetual non-cumulative redeemable preference shares of the Aberdeen Group included in the Aberdeen Group balance sheet as at 31 December 2016. These are classified within total equity of the Aberdeen Group and will result in an adjustment in the calculation of goodwill attributable to the Merger. As noted above, no account has been taken in the pro forma of any fair value adjustments that may have arisen on the acquisition. The goodwill calculation will take into account the fair value of the capital notes and preference shares calculated at the completion date.
- (6) Estimated Merger costs of £99m in association with the acquisition have been allocated to “Cash and cash equivalents” of which £95m has been charged to the pro forma income statement and £4m has been capitalised against equity. A related current tax asset of £2m representing the tax credit on those transaction costs which are tax-deductible is shown within “Current tax liabilities”.
 - (7) In preparing the unaudited pro forma net assets statement, no account has been taken of the trading activity or other transactions of the Standard Life Group since 31 December 2016 or the Aberdeen Group since 31 December 2016.

Accountant's report on the unaudited pro forma financial information

The Directors
Standard Life Aberdeen plc
Standard Life House
30 Lothian Road
Edinburgh
EH1 2DH

16 October 2017

Ladies and Gentlemen

Standard Life Aberdeen plc

We report on the pro forma financial information (the 'Pro forma financial information') set out in the section entitled 'Unaudited Pro Forma Financial Information' of the prospectus dated 16 October 2017, which has been prepared on the basis described in that section, for illustrative purposes only, to provide information about how the merger of Standard Life plc and Aberdeen Asset Management plc might have affected the financial information presented on the basis of the accounting policies adopted by Standard Life Aberdeen plc in preparing the financial statements for the period ended 31 December 2016. This report is required by paragraph 7 of Annex II of the Prospectus Directive Regulation and is given for the purpose of complying with those paragraphs and for no other purpose.

Responsibilities

It is the responsibility of the directors of Standard Life Aberdeen plc to prepare the Pro forma financial information in accordance with Annex II of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Rule 5.5.4R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 7 of Annex II of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Standard Life Aberdeen plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Standard Life Aberdeen plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Standard Life Aberdeen plc.

Declaration

For the purposes of Prospectus Rule 5.5.4R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex IX of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

Regulatory Overview

1. Overview

The Group is an investment group that offers active management and long-term savings and investments propositions, including through insurance undertakings, and contains a number of financial institutions authorised and regulated under the laws of the UK and other jurisdictions. As such, the Group operates in a highly regulated environment. This section of the Prospectus is intended to give an overview of the regulatory framework that currently applies to the Group.

2. Supervisory Environment

The Group is subject to the consolidated prudential supervision of the PRA under Solvency II, as implemented or applicable in the UK. The Standard Life Investments sub-group is subject to the consolidated prudential supervision of the FCA under FCA rules implementing CRD III (as defined below). The Aberdeen Group is subject to the consolidated prudential supervision of the FCA under CRD IV (as defined below), as implemented or applicable in the UK. Individual entities in the Group are regulated by the PRA and/or the FCA and, in the case of entities authorised or regulated outside the UK, by local regulatory authorities.

The Group also contains various entities domiciled or active outside the UK that are subject to regulation by certain non-UK regulatory authorities.

3. The UK Regulatory Framework

The PRA and the FCA

As noted above, the Group contains UK-authorised entities that are regulated by the PRA, the FCA or both.

Insurance undertakings in the UK are among the categories of firm that are dual-regulated, which means that they are authorised, prudentially regulated and supervised by the PRA, and regulated for conduct of business purposes by the FCA.

Asset management firms and most investment firms in the UK (including firms that carry on regulated activities related to investment advice, such as those in the Group's 1825 business) are authorised and regulated solely by the FCA. While certain designated investment firms are authorised by the PRA and regulated by both the PRA and FCA, the Group does not contain any such firms.

The PRA is responsible for the macro-prudential regulation of insurance companies, banks and certain designated investment firms. The PRA's primary purpose and objective is to promote the safety and soundness of PRA-authorised persons. It also has a specific "insurance objective" of contributing to the securing of an appropriate degree of protection for those who are or may become policyholders of PRA-authorised insurers.

The FCA regulates the conduct of every authorised firm. Its "operational objectives" are to secure an appropriate degree of protection for consumers, protect and enhance the integrity of the UK

financial system and promote effective competition in the interests of consumers. The FCA also has a “strategic objective” of ensuring that relevant markets function well.

The Financial Policy Committee, a committee of the Bank of England’s governing body, is responsible for the macro-prudential regulation of the entire financial services sector.

Permission to carry on regulated activities in the UK

In order to authorise a person to carry on regulated activities in the UK, the PRA and/or the FCA must determine that the applicant meets the requirements of FSMA, including certain “threshold conditions”. The threshold conditions are the minimum conditions which must be satisfied (both at the time of authorisation, and on an ongoing basis) in order for a firm to gain and continue to have permission to carry on the relevant regulated activities under FSMA. Dual-regulated firms must meet both the PRA and the FCA threshold conditions. These relate to matters including the applicant’s legal form, whether the applicant has adequate resources (both financial and non-financial) to carry on its business and whether, having regard to all the circumstances (including whether the applicant’s affairs are conducted soundly and prudently), the applicant is a fit and proper person to conduct the relevant regulated activities.

Once authorised, in addition to continuing to meet the threshold conditions, firms must comply with the provisions of FSMA, related secondary legislation and the rules made by the PRA and the FCA under FSMA. These rules are set out in the PRA Rulebook and the FCA Handbook respectively and implement EU legislation (applicable throughout the EEA) relating to financial services and to asset management and insurance business in particular.

Principles for Businesses and Fundamental Rules

The Principles for Businesses set out high-level principles that apply to all authorised persons in the UK. Amongst other things, the Principles require firms to treat customers fairly, maintain adequate financial resources and communicate with customers in a way that is clear, fair and not misleading. The FCA has also established six key outcomes that it expects firms to focus on in order to ensure that they are treating customers fairly in accordance with the Principles. These include ensuring that: (i) consumers can be confident they are dealing with firms where the fair treatment of customers is central to the firm’s corporate culture; and (ii) products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.

In addition to the Principles, PRA-authorised persons are also subject to certain overarching rules issued by the PRA, the so-called “Fundamental Rules”. These rules are core to the PRA’s supervisory approach and underpin the PRA Rulebook. The Fundamental Rules require firms to conduct their business with integrity, maintain adequate capital resources and organise and control their affairs responsibly and effectively, amongst other things. The emphasis and reliance on these overarching rules and principles by the PRA and the FCA has marked a move to more judgment based regulation in recent years.

Supervision and enforcement under FSMA

The PRA and the FCA have powers to take a range of enforcement action, including the ability to sanction UK authorised firms. In particular, enforcement action may include restrictions on undertaking new business, public censure, restitution, fines and, ultimately, revocation of permission to carry on regulated activities. The FCA may also take enforcement action against individuals performing certain controlled functions in relation to authorised persons, while the PRA and/or FCA may take direct enforcement action against senior insurance management function holders, significant influence holders and key function holders under the Senior Insurance Managers Regime (discussed in more detail below).

The PRA and the FCA have further powers to obtain injunctions against UK authorised firms and to impose or seek restitution orders where consumers have suffered loss. In certain circumstances, the PRA and the FCA also have the power to take action against unauthorised parent undertakings of UK authorised persons (such as the Issuer), including by issuing directions to do or refrain from doing a particular activity.

Consumer complaints and compensation

UK authorised firms fall under the compulsory jurisdiction of the FOS, which is a body established under FSMA. Authorised firms are required to have adequate complaints handling procedures in place but, where these are exhausted and the complaint or dispute has not been resolved, the FOS provides for dispute resolution in respect of certain categories of customer complaints brought by individuals and small business customers. Firms covered by the FOS are required to pay levies and case fees, which provides the funding for the FOS.

The Financial Services Compensation Scheme (“**FSCS**”), established under FSMA, seeks to protect customers of UK authorised firms that are unable or unlikely to be able to meet their financial obligations to customers. The FSCS provides compensation to certain categories of customer who suffer loss as a consequence of the failure by a regulated firm to meet its liabilities arising from claims made in connection with regulated activities. The FSCS is funded by way of levies imposed on all of its participating financial services firms, including certain authorised firms within the Group. The Notes will not be protected by the FSCS.

Change of control

In the United Kingdom, the approval of the PRA or the FCA is required under FSMA where any person proposes to acquire or increase “control” over a UK authorised firms. Supervisory approval is also required where a person who is already a controller of such a firm proposes to increase its control in excess of certain thresholds set out in FSMA. The FCA and PRA’s approval was required for the Merger to take effect.

“Control” over a UK regulated firm is acquired if the acquirer:

- (A) holds 10 per cent. or more of the shares or voting power in that UK regulated firm or in its parent undertaking; or

- (B) is otherwise able to exercise significant influence over the management of the firm by virtue of the acquirer's shares or voting power in the UK regulated firm or its parent undertaking.

Where a UK regulated firm is dual-regulated (such as a UK authorised insurer), the PRA will process the change of control application, although the FCA may make representations to the PRA and/or may require the PRA to object to, or impose conditions on the approval in certain circumstances. Where the UK regulated firm is solely regulated by the FCA (such as an investment firm or UCITS management company), the FCA will process the change of control application. However, if the FCA regulated firm is part of a group which contains a PRA regulated firm, the PRA must be consulted when processing the change of control application.

The control thresholds referred to above are relaxed in relation to certain UK authorised persons, including insurance intermediaries. "Control" over such a firm is acquired where a person holds 20 per cent. or more of the shares or voting power in that firm or its parent undertaking. While there is no formal change in control regime that applies to UK AIFMs, such firms are required to notify the FCA of any material changes to their qualifying holdings before such changes take effect. The FCA may, in certain circumstances, prevent such changes from taking effect.

Data Protection

The Data Protection Act 1998 (the "DPA"), which came into force in March 2000 and gives effect to an EU Directive, regulates in the United Kingdom the obtaining and use of personal data relating to living individuals. Personal data includes any data about an individual by which he or she can be identified (including, for example, a name, address, age, bank or credit card details).

The data need not in any sense be private. The DPA applies to both computerised data and to certain sets of manual data such as address books and filing systems. It lays down certain principles which, in general, must be followed by those who hold personal data. The Group and everyone working at their businesses must comply with local jurisdiction data protection and privacy requirements.

Breach of the DPA may give rise to criminal or civil liability and other enforcement action can be taken.

Market Abuse

The FCA has the power to impose fines and other civil sanctions on individuals and firms that commit market abuse. The definition of market abuse is set out in the Market Abuse Regulation ((EU) 596/2014), which refers to three abusive behaviours which, when committed in relation to publicly traded financial instruments, commodity derivatives or emission allowances, constitute market abuse. The relevant behaviours are: insider dealing; the unlawful disclosure of inside information; and market manipulation.

The FCA may impose an unlimited fine on any person that engages in market abuse, or that has encouraged or required another person to do so. As an alternative to imposing a fine, the FCA may publish a statement of public censure or apply to the court under FSMA for an injunction or restitution order. The FCA also has the power to impose other administrative sanctions, including

the power to enter premises under a warrant and the power to cancel or suspend trading in financial instruments.

In addition to the civil regime under FSMA and the Market Abuse Regulation, the FCA has the power to prosecute the criminal offences of insider dealing under the Criminal Justice Act 1993 and the criminal offences of making false or misleading statements, creating false or misleading impressions and making false or misleading statements or creating a false or misleading impression in relation to specified benchmarks under the Financial Services Act 2012.

4. Asset management and investment advice regulation in the EU and UK

The regulatory framework applicable to asset management and investment advice firms in the UK is derived to a large extent from EU legislation that is either directly applicable in the UK (in the case of EU Regulations) or that has been implemented in the UK by means of rules and guidance made by the FCA.

The Group contains UK authorised firms that engage in the management of collective investment schemes (including UCITS and authorised AIFs), the provision of discretionary investment management services, the provision of advisory and/or dealing services and the safeguarding and administration of assets. The Group contains UCITS management companies, AIFMs and MiFID investment firms authorised in the UK under in accordance with UK legislation and rules implementing relevant EU legislation.

EU regulatory framework

UCITS

The UCITS Directive (2009/65/EC) sets out the framework for the regulation of UCITS and UCITS management companies in the EU. The Directive includes rules on authorisation, the operation of management companies, depositaries, mergers, investment policies, and on the information that must be provided to investors. It also requires UCITS management companies to establish and apply remuneration policies and practices consistent with sound and effective risk management.

The UCITS Directive provides that a UCITS fund or management company authorised in accordance with the Directive in one EEA State (the “**home state**”) may carry on certain activities in another EEA state without being separately authorised there (so-called “**passporting rights**”). Funds authorised in accordance with the UCITS Directive may therefore be marketed and sold to retail investors throughout the EEA, while management companies authorised in one EEA State in accordance with the Directive may exercise passporting rights to operate a fund established in another EEA State.

AIFMD

The Alternative Investment Fund Managers Directive (2011/61/EU) (“**AIFMD**”) sets out the framework for the regulation of the management of certain non-UCITS collective investment undertakings in the EU. AIFMD applies to AIFMs, that is, to legal persons whose regular business it is to manage an AIF. In broad terms, an AIF is a non-UCITS collective investment undertaking

that raises capital from a number of investors with a view to investing it in accordance with a defined investment policy for the benefit of those investors.

AIFMD covers matters such as authorisation, capital requirements, conduct of business standards, remuneration, the valuation of assets, delegation, depositaries, transparency, and marketing. It also provides for passporting rights that allow AIFMs to manage and market EU AIFs to professional investors throughout the EU. Certain parts of AIFMD are yet to apply; when fully applicable, these passporting rights will also apply to the management and marketing of AIFs by non-EU AIFMs and to the marketing of non-EU AIFs by EU AIFMs.

MiFID

The Markets in Financial Instruments Directive (2004/39/EC) ("**MiFID**") sets out the framework for the regulation of firms in the EU that engage in certain investment activities, such as investment advice and portfolio management. MiFID sets out detailed and specific requirements relating to investment firms within its scope, including provisions relating to systems and controls, outsourcing, customer classification, conflicts of interest, best execution, client order handling, suitability and appropriateness, transparency and transaction reporting. MiFID also confers passporting rights on investment firms authorised in accordance with its provisions, enabling them to carry on certain investment activities in other EEA States without needing to obtain separate authorisations there.

CRD IV

The Capital Requirements Directive (2013/36/EU) and the Capital Requirements Regulation ((EU) 575/2013) (together, "**CRD IV**") set out the EU framework for the regulation of credit institutions and certain investment firms, in particular as regards capital adequacy. Certain MiFID investment firms and, in particular, those with permissions relating to the safeguarding of client assets or handling of client money, are subject to the provisions of CRD IV as regards prudential and capital standards. This includes certain firms within the Group.

CRD III

Directive 2010/76/EU ("**CRD III**") set out the capital requirements applicable to credit institutions and investment firms in the EU prior to 1 January 2014. CRD III was repealed by the CRD IV package with effect from that date, but continues to be relevant to certain UK investment firms, including those in the Standard Life Investments sub-group, that fall outside the scope of CRD IV. Such firms are permitted to apply the UK rules implementing CRD III, rather than applying CRD IV, as applicable or implemented in the UK.

UK implementation

The requirements of the UCITS Directive, AIFMD, MiFID and CRD IV have, insofar as they are relevant to UK asset management and investment firms, largely been implemented in rules made by the FCA and set out in the FCA Handbook. Those requirements are supplemented by those set out in EU Regulations, which are directly applicable and therefore do not need to be implemented by local regulatory or legislative authorities.

The FCA Handbook comprises a number of sourcebooks containing rules and guidance relevant to the asset management firms in the Group.

Conduct of business rules

The FCA's Conduct of Business sourcebook ("**COBS**") contains rules and guidance relevant to how asset management and investment firms in the Group conduct their business with clients. The scope and nature of the obligations that apply to UK asset management and investment firms under COBS depends on the scope of the individual firm's business and the nature of its clients. For example, many of the provisions in COBS only apply to firms that deal directly with retail customers.

In very broad terms, the rules in COBS require firms to disclose certain information (including as to fees and charges) to clients before providing services, ensure that any recommendations given in relation to investment advice are suitable for the client, ensure that non-advised investment services or products provided are appropriate for the client and provide (in certain circumstances) product information to clients, amongst other things.

Certain firms within the Group are subject to specific rules under COBS relating to the provision of platform services. In very broad terms, these rules concern adviser charges and the provision of information to fund managers.

Firms authorised to carry on regulated activities relating to investment advice (including those firms that carry on the 1825 business of the Group) are subject to specific rules under COBS relating to the provision of investment advice. These include rules relating to the independence of advice, adviser charging and the acceptance or payment of inducements.

Senior management, systems and controls

The FCA's Senior Management Arrangements, Systems and Controls sourcebook ("**SYSC**") contains general organisational requirements that apply to UK authorised firms, including UK authorised asset management and investment firms. These requirements elaborate on Principle 3 of the Principles for Businesses, which requires firms to take reasonable care to organise and control their affairs responsibly and effectively, with adequate risk management systems.

In broad terms, SYSC contains rules relating to the persons who effectively direct the business of a UCITS management company, AIFM or MiFID investment firm, requires firms to employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them, requires firms to implement systems and controls relating to compliance and risk controls and contains requirements relating to outsourcing and conflicts of interest, amongst other things.

SYSC also require UCITS management companies, AIFMs and MiFID investment firms to implement remuneration policies and practices that promote sound and effective risk management. Separate requirements apply for each category of firm, including separate requirements for MiFID investment firms that are subject to CRD IV.

Approved Persons Regime

UCITS management companies, AIFMs and non-significant MiFID investment firms are required to take reasonable care to ensure that individuals performing certain “controlled functions” in relation to their regulated activities have the prior approval of the FCA. Individuals who perform controlled functions fall broadly into two categories: those who exercise significant influence over a firm’s affairs and those who deal with its customers. The FCA will only approve an individual to carry out a controlled function if it is satisfied that he or she is a “fit and proper” person to carry out the relevant function. Individuals approved by the FCA to carry out controlled functions are subject to conduct rules made by the FCA. Where an individual breaches these rules, the FCA may impose sanctions on the individual and firm concerned.

The scope of the Senior Managers and Certification Regime (“**SMR**”) (which currently only applies to UK banks, building societies and significant investment firms) will be extended in 2018 to cover all authorised firms, including the UCITS management companies, AIFMs and MiFID investment firms in the Group.

Prudential requirements

The prudential requirements applicable to UCITS management companies, AIFMs and MiFID investment firms are set out in the GENPRU, BIPRU, IFPRU and IPRU-INV sourcebooks in the FCA Handbook. Each sourcebook sets out requirements relating to initial capital and own funds.

The prudential requirements that apply to the FCA-authorized firms in the Group depend on the FCA’s prudential classification of individual firms. This in turn depends on the level of risk involved in performing the activities the relevant entity is authorised to perform. Investment firms falling within the scope of CRD IV are subject to the prudential requirements of IFPRU and GENPRU. Investment firms that are not within the scope of CRD IV are instead subject to less stringent rules implementing CRD III and set out in BIPRU and GENPRU.

The prudential classification of UCITS management companies and AIFMs depends on whether the firms in question are also authorised to carry on MiFID activities such as portfolio management, investment advice and the safekeeping and administration of assets. Where this is the case, UCITS management companies and AIFMs are required to comply with the prudential requirements of GENPRU and either IFPRU or BIPRU, depending on whether they fall within scope of CRD IV. All UCITS management companies and AIFMs (regardless of whether they carry on any MiFID activities) are required to comply with certain base own funds requirements in IPRU-INV.

Client Assets

Principle 10 of the Principles for Businesses requires firms to arrange adequate protection for assets when the firm is responsible for them. The CASS sourcebook in the FCA Handbook elaborates on this requirement, setting out the rules that apply to firms that are permitted to hold client money and assets. This includes certain firms in the Group.

The requirements set out in CASS aim to protect money and assets belonging to a firm’s clients from the insolvency of that firm and to ensure that, if a firm is subject to insolvency proceedings,

client money and assets can be promptly returned to the client. The rules seek to achieve this by requiring firms to keep client money and assets separate from their own, by preventing firms from using client money and assets for their own purposes and by requiring firms to keep records of the client money and assets that they do hold.

Specialist Sourcebooks

In addition to the requirements set out above, UCITS management companies and AIFMs must comply with the requirements of the COLL and FUND sourcebooks, respectively. These specialist sourcebooks set out requirements relating to UCITS, AIFs and their managers that implement the UCITS Directive and the AIFMD.

5. Insurance regulation in the EU and UK

EU Regulatory Framework

Solvency II

Solvency II sets out the framework for the solvency and supervisory regime for EU insurance firms. The main aim of the prudential framework under Solvency II is to ensure the financial stability of the insurance industry across the EU and protect policyholders through establishing solvency requirements better matched to the true risks of the business.

Solvency II adopts a three pillar approach to prudential regulation:

- (A) Pillar 1 relates to minimum capital requirements, covering technical provisions, the solvency capital requirement (“**SCR**”) and minimum capital requirement (“**MCR**”), rules on market consistent valuation, investment of assets and the use of internal models to calculate the CSR;
- (B) Pillar 2 covers risk management, governance requirements, supervisory review and the Own Risk and Solvency Assessment of an insurer (“**ORSA**”); and
- (C) Pillar 3 covers public and supervisory reporting and disclosure, including the requirement to publish a solvency and financial condition report.

The regime consists of a “Level 1” Directive, which has been implemented by means of both “Level 2” measures, including delegated acts and binding technical standards, and “Level 3” guidance, including non-binding supervisory standards, recommendations and guidelines. Solvency II has been fully implemented in the UK since 1 January 2016, largely through changes and additions to the PRA Rulebook.

The European Insurance and Occupational Pensions Authority (“**EIOPA**”) is the European Supervisory Authority charged with producing draft technical standards and guidelines under Solvency II. Guidelines are non-binding, although supervisory authorities and firms to whom they are addressed are expected to apply them on a “comply or explain” basis.

Insurance Mediation Directive

The Insurance Mediation Directive requires EU member states to establish a framework to:

- (A) ensure that insurance and reinsurance intermediaries have been registered on the basis of a minimum set of professional and financial requirements;
- (B) ensure that registered intermediaries will be able to operate in other member states by availing themselves of the freedom to provide services or by establishing a branch; and
- (C) impose requirements on insurance intermediaries to provide specified minimum information to potential customers.

The Insurance Distribution Directive came into force on 22 February 2016 and must be implemented by 23 February 2018. When fully implemented, the Insurance Distribution Directive will amend and replace the Insurance Mediation Directive. The Insurance Distribution Directive significantly raises the minimum standards set out in the Insurance Mediation Directive and is intended to strengthen policyholder protection and make it easier for firms to provide services cross-border.

UK implementation

The requirements of Solvency II have largely been implemented in the UK by rules made by the PRA and contained in the PRA Rulebook. The PRA Rulebook comprises a number of Parts and is divided according to the different types of firm regulated by the PRA. The insurance firms within the Group must comply with the rules set out in those Parts of the Rulebook that apply to Solvency II firms. The FCA Handbook also contains rules and guidance that apply to dual-regulated firms, including insurance firms.

Prudential Standards

The PRA Rulebook implements the prudential standards established under Solvency II. The fundamental requirement of the PRA's prudential rules is that firms maintain adequate financial resources to meet their capital requirements.

Under Solvency II, firms must hold eligible own funds covering both the SCR and MCR. The 'Own Funds' Part of the PRA Rulebook, supplemented by the Solvency II Regulation, sets out the capital resources that are deemed to be eligible for these purposes, while provisions relating to the SCR and MCR are set out in the 'Solvency Capital Requirement' and 'Minimum Capital Requirement' Parts of the PRA Rulebook.

The 'Technical Provisions' Part of the PRA Rulebook requires firms to establish adequate technical provisions with respect to all of their insurance and reinsurance obligations towards policyholders. The 'Investment' Part sets out the risk-management requirements that insurers must follow when investing their assets, including those held to cover technical provisions, while the 'Valuation' Part sets out overriding standards that firms must comply with when valuing assets and liabilities.

Firms subject to Solvency II are also required to conduct an ORSA on a regular basis. The ORSA is intended to provide a view of a firm's risk profile and the capital and other means needed to address those risks. The ORSA must, among other things, survey the firm's compliance with the SCR and MCR on a continuous basis (and assess the significance with which the risk profile of the firm deviates from the assumptions underlying the SCR).

Senior Management, Systems and Controls

Solvency II requires insurers to ensure that all persons who effectively run a firm, or otherwise hold key functions, have adequate professional qualifications, knowledge and experience to enable sound and prudent management and are of good repute and integrity. The Senior Insurance Managers Regime ("**SIMR**") implements this requirement, and other requirements under Solvency II relating to the fitness and propriety of key employees. It incorporates elements of the FCA's senior managers regime and has been in force since 7 March 2016.

Under the SIMR, an authorised insurer is required to obtain the PRA's approval for any individual who carries on a specific "senior insurance management function" ("**SIMF**"), such as, for example, executive directors and persons responsible for a firm's risk, audit or actuarial functions. The FCA is responsible for approving individuals who take up executive and certain other "significant influence functions" ("**SIFs**") that are not subject to PRA approval. In addition to this, firms must notify the PRA of all individuals who are not SIMF or SIF holders, but are nevertheless responsible for certain key functions ("**key function holders**") and take up their posts after 1 January 2016. Such functions include the compliance, internal audit and risk management functions, as well as any other function that is of specific importance to the sound and prudent management of a firm.

SIMF, SIF and key function holders must comply at all times with the conduct standards set out in the 'Insurance – Conduct Standards' Part of the PRA Rulebook, while persons performing key functions are subject to a more limited set of "Individual Conduct Standards" also set out in that Part. The FCA also requires all SIF and SIMF holders to adhere to conduct rules set out in its Code of Conduct sourcebook.

SIMF, SIF and key function holders must comply at all times with the conduct standards set out in the 'Insurance – Conduct Standards' Part of the PRA Rulebook, while persons performing key functions are subject to a more limited set of "Individual Conduct Standards" also set out in that Part. "Notified" non-executive directors ("**NEDs**") (i.e. NEDs who are not FCA or PRA approved persons) are also subject to certain conduct rules under this Part of the PRA Rulebook. The FCA also requires all SIF and SIMF holders to adhere to conduct rules set out in its Code of Conduct Sourcebook ("**COCON**"). On 3 May 2017, the FCA published a policy statement containing final rules that will extend the application of COCON to "standard" NEDs of UK authorised insurers. As with notified NEDs in the PRA Rulebook, standard NEDs are those NEDs who are not subject to the pre-approved regime under the SIMR. The FCA's rules will come into force on 3 July 2017. SYSC also sets out rules on the apportionment of significant responsibilities among an insurer's directors and senior managers and, more generally, the systems and controls that insurers are required to have in place. In particular, firms must take reasonable care to establish and maintain effective systems and controls for compliance with applicable regulatory requirements and for countering the risk that they might be used to further financial crime.

Remuneration

While the PRA expects all UK insurers within the scope of Solvency II to comply with the remuneration requirements set out in the Solvency II Regulation, its attention in this area is focused on “significant” insurers (i.e. those firms whose size and type of business means that there is a significant or very significant capacity to cause disruption to a substantial number of policyholders). Such firms, including certain firms within the Group, are required to report to the PRA on their compliance with the requirements of set out in the Solvency II Regulation, either in the form of the Remuneration Policy Statement reporting template provided by the PRA or by means an alternative format if preferred.

Reporting requirements

The Issuer is subject to certain ongoing reporting requirements set out in the ‘Reporting’ Part of the PRA Rulebook, which implements Pillar 3 of Solvency II. Firms are under a general requirement to submit to the PRA information necessary for the PRA’s supervision of the firm. In practice, this involves the submission of an annual report on a firm’s solvency and financial condition, known as a solvency and financial condition report (“**SFCR**”). The required content of a firm’s SFCR is prescribed by the ‘Reporting’ Part of the PRA Rulebook, and includes details of the firm’s SCR and MCR. In addition to the annual SFCR, an insurance or reinsurance undertaking must disclose on an ongoing basis the nature and effects of any major developments that significantly affect its prior disclosures.

Conduct of Business requirements

The FCA regulates, through COBS and through its Insurance: Conduct of Business sourcebook (“**ICOBS**”), the distribution and sale of insurance products. COBS applies where such insurance products have an investment element, such as pension policies, and ICOBS applies to non-investment insurance products.

The scope and range of the obligations imposed on an authorised firm under COBS and ICOBS vary according to the scope of the firm’s business and the nature of its clients. Many of the provisions only apply to insurers that deal directly with retail customers or to transactions with retail customers. Broadly, the rules in COBS and ICOBS require firms to provide clients with information about the firm, meet certain standards of product disclosure, assess suitability when advising on certain products, report appropriately to clients and provide certain protections in relation to client assets.

Insurance mediation activities

The Group includes firms authorised to carry on insurance mediation activities. In addition to complying with the Principles for Businesses described above, conduct of business rules set out in ICOBS and rules relating to systems and controls set out in SYSC, such firms must also comply with provisions in the FCA’s sourcebook for Mortgage and Home Finance Firms and Insurance Intermediaries (“**MIPRU**”). The rules in MIPRU include requirements regarding the maintenance of capital resources and the responsibilities and suitability of management and persons involved in insurance mediation activities.

6. Regulation in other jurisdictions

The Group contains regulated entities that are active in a number of non-UK jurisdictions, including (among others) asset management and investment firms authorised in Hong Kong, India, Japan, Switzerland and the U.S., and insurance firms authorised in Ireland, India, China and Hong Kong.

Europe, the Middle East and Africa

The Group contains operating subsidiaries regulated in Ireland by the Central Bank of Ireland, in Jersey by the Jersey Financial Services Commission (“**JFSC**”), in Guernsey by the Guernsey Financial Services Commission (“**GFSC**”) and in Switzerland by the Swiss Financial Market Supervisory Authority (“**FINMA**”).

The Aberdeen Group’s principal European investment activities are conducted in Luxembourg. The Group’s operating subsidiaries in Luxembourg are regulated in their conduct of investment business in Luxembourg by the Commission de Surveillance du Secteur Financier. The Group contains an operating subsidiary that is regulated in its conduct of investment business in Ireland by the Central Bank of Ireland. Other non-Irish incorporated entities within the Group are also registered with the Central Bank of Ireland in relation to their activities in Ireland.

Other European operating subsidiaries of the Aberdeen Group are regulated in their conduct of investment business in France by the Autorité des Marchés Financiers, in Germany by the Bundesanstalt für Finanzdienstleistungsaufsicht, in Guernsey by the GFSC, in Hungary by the Central Bank of Hungary, in Jersey by the JFSC, in Norway by the Finanstilsynet, in Sweden by the Finansinspektionen and in Switzerland by FINMA.

In addition to this, EU-authorized regulated entities in the Group carry on business in other EU Member States under EU-wide passporting rights. Although those entities do not need to be authorised in each of the EU Member States in which they carry on business in exercise of those rights, they are required to comply with certain local laws and regulatory requirements, for example in respect of conduct of business and money-laundering, in relation to business carried on in those countries.

The Aberdeen Group also contains an operating subsidiary in Abu Dhabi that is regulated by the Abu Dhabi Financial Services Regulatory Authority. Aberdeen Asset Managers Limited, a UK-incorporated subsidiary of Aberdeen, is registered with the Financial Services Board of South Africa and the Capital Markets Authority of Saudi Arabia to provide intermediary services in those jurisdictions.

Asia

The Group operates through a number of regulated entities in Asia.

The Group’s operations in Asia are conducted through an insurance joint venture incorporated in China and regulated by the China Insurance Regulatory Commission, an insurance associate incorporated in India and regulated by the Insurance Regulatory and Development Authority, an investment associate incorporated in India and regulated by the Securities and Exchange Board

of India, an insurance subsidiary incorporated in Hong Kong and regulated by the Insurance Authority, investment subsidiaries incorporated in Hong Kong and regulated by the Hong Kong Securities and Futures Commission, an investment subsidiary incorporated in Japan and regulated by the Kanto Local Finance Bureau and an investment subsidiary incorporated in Singapore and regulated by the Monetary Authority of Singapore.

The Aberdeen Group also operates through a number of investment subsidiaries in Asia, the principal investment subsidiaries of which are incorporated and regulated in Singapore by the Monetary Authority of Singapore, in Japan by the Financial Services Agency and in Hong Kong by the Securities and Futures Commission of Hong Kong. The Aberdeen Group also operates through subsidiaries incorporated and regulated in Indonesia by the Financial Services Authority of Indonesia, in Malaysia by the Malaysian Securities Commission, in Taiwan by the Financial Supervisory Commission of the Republic of China and the Securities Investment Trust and Consulting Association of the Republic of China and in Thailand by the Securities and Exchange Commission of Thailand. The Aberdeen Group is also active in South Korea through non-Korean incorporated subsidiaries that are regulated by the Korea Financial Services Commission.

Americas

The Group operates through a number of investment subsidiaries in the Americas.

The Group contains an investment subsidiary incorporated in the U.S. and regulated by the Financial Industry Regulatory Authority (“**FINRA**”). The Group is also active in the U.S. through non-U.S. incorporated subsidiaries that are registered with the Securities & Exchange Commission (“**SEC**”) and the Commodity Futures Trading Commission (“**CFTC**”). The Group is also active in Canada through a number of non-Canadian incorporated subsidiaries.

The Aberdeen Group operates through a number of investment subsidiaries in the Americas, the principal investment subsidiaries of which are incorporated in and regulated in the U.S., Canada and Brazil. The principal investment management subsidiary in the U.S., Aberdeen Asset Management Inc. (“**AAMI**”), is incorporated in Delaware and carries on fund management activities and is registered in the U.S. with the SEC and the CFTC/National Futures Association (“**NFA**”). In addition, AAMI must 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 Aberdeen Group also contains other subsidiaries that are registered in the U.S. by the CFTC, FINRA and/or the SEC. AAMI and other principal Aberdeen operating subsidiaries are registered in Canada with, among others, the Ontario Securities Commission, the Quebec Autorité des Marchés Financiers, the Nova Scotia Securities Commission and the New Brunswick Securities Commission. Aberdeen also has an operating subsidiary registered in Brazil with the Securities and Exchange Commission of Brazil.

Australia

The Group contains an operating subsidiary incorporated in Australia that is regulated by the Australian Securities and Investments Commission. Standard Life Investments Limited, a subsidiary of Standard Life Investments (Holdings) Limited, is also active in Australia but is exempt from authorisation.

Taxation

United Kingdom Taxation

The comments below, which are of a general nature and are based on the Issuer's understanding of current United Kingdom tax law and HM Revenue & Customs published practice, describe only the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of the Notes. They are not exhaustive. They do not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly advised to consult their own professional advisers.

The Notes issued will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange, within the meaning of Section 1005 Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List by the United Kingdom Listing Authority and are admitted to trading on the regulated market of the London Stock Exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest by the Issuer on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Payments of interest on the Notes may also be made without deduction of or withholding on account of United Kingdom income tax if the Notes are "regulatory capital securities" for the purposes of the Taxation of Regulatory Capital Securities Regulations 2013 (as amended) (the "**2013 Regulations**"). This is subject to there being no arrangements the main purpose, or one of the main purposes, of which is to obtain a tax advantage (as defined in section 1139 of the Corporation Tax Act 2010) for any person as a result of the application of the 2013 Regulations in respect of the Notes.

The Notes will constitute "regulatory capital securities" for the purposes of the 2013 Regulations if the Notes qualify, or have qualified, as an item listed in point (a)(iii) or (b) of Article 72 of the Commission Delegated Regulation (EU) 2015/35 (as amended from time to time) which is a Tier 2 item under Article 72 or 79 of that regulation.

In other cases, absent any other relief or exemption (such as a direction by HM Revenue & Customs that interest may be paid without withholding or deduction for or on account of United Kingdom tax to a specified Noteholder following an application by that Noteholder under an applicable double tax treaty), an amount must generally be withheld on account of United Kingdom income tax at the basic rate (currently 20 per cent.) from payments of interest on the Notes.

Where Notes are issued at an issue price of less than 100 per cent. of their principal amount, any payments in respect of the accrued discount element on any such Notes should not generally be subject to any withholding or deduction for or on account of United Kingdom income tax.

Subscription and Sale

Pursuant to a Subscription Agreement dated 16 October 2017 (the “**Subscription Agreement**”), BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc, Merrill Lynch International and Société Générale (the “**Managers**”) have agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes at the issue price of 100 per cent. of their principal amount less commissions. The Managers are entitled to terminate and to be released and discharged from their obligations under the Subscription Agreement in certain circumstances prior to payment to the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account or benefit of U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each of the Managers has agreed that, except as permitted by the Subscription Agreement, they will not offer, sell or deliver the Notes, (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

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

United Kingdom

Each of the Managers has represented warranted and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

Hong Kong

This Prospectus is not a prospectus under the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), and nor is it required to be authorised under section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “**SFO**”).

The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong and no action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any document issued in connection with it.

The Notes have not been and will not be offered or sold in Hong Kong by means of any document, other than (a) to “professional investors” as defined in the SFO and any rules made under the SFO, or (b) in other circumstances which do not result in this document being a “prospectus” as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public with the meaning of that Ordinance.

No advertisement, invitation or document relating to the Notes has been or will be issued in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948) (as amended) (the “**FIEA**”) and each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to any person resident in Japan for Japanese securities law purposes (including any corporation or other entity organised under the laws of Japan), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan.

Singapore

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

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

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

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

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

General

No action has been or will be taken by the Issuer or the Managers that would permit a public offering of the Notes or possession or distribution of this document or other offering material relating to the Notes in any jurisdiction where, or in any circumstances in which, action for these purposes is required. This document does not constitute an offer and may not be used for the purposes of any offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised.

Neither the Issuer nor the Managers represent that the Notes may at any time lawfully be sold in or from any jurisdiction in compliance with any applicable registration requirements or pursuant to an exemption available thereunder or assumes any responsibility for facilitating such sales.

General Information

- (1) The net proceeds of the issue will be used by the Issuer for general corporate purposes (including, without limitation, to refinance existing debt).
- (2) The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 169890625 and an ISIN of XS1698906259.
- (3) The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.
- (4) The yield of the Notes is 4.249 per cent., on a semi-annual basis. The yield is calculated as at the Issue Date on the basis of the issue price and the interest rate of 4.25 per cent. per annum. It is not an indication of future yield.
- (5) The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be up to £4,200.
- (6) It is expected that the applications for the Notes to be admitted to the Official List of the UKLA and to trading on the London Stock Exchange's regulated market will be granted on or about 18 October 2017 and that such admission will become effective, and that dealings in the Notes on the London Stock Exchange will commence, on or about 19 October 2017.
- (7) The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by resolutions of the board of directors of the Issuer passed on 27 June 2017 and a committee of the board of directors of the Issuer passed on 29 September 2017.
- (8) The Trust Deed provides that the Trustee may rely on certificates or reports from any auditors or other parties in accordance with the provisions of the Trust Deed whether or not any such certificate or report or engagement letter or other document in connection therewith contains any limit on the liability of such auditors or such other party.
- (9) Other than the Merger, there has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2017 (the date of the Issuer's most recent interim financial statements). There has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2016.
- (10) There are no, nor have there been any 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 period of 12 months prior to the date of this document, a significant effect on the financial position or profitability of the Issuer or the Group.
- (11) The Prospectus will also be available for inspection on the website of the Regulatory News Service operated by the London Stock Exchange at

<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

- (12) Copies of this Prospectus, the documents incorporated by reference in this Prospectus, the Trust Deed and the Agency Agreement and the constitutional documents of the Issuer will be available for inspection at the specified offices of each of the Paying Agents (as defined in the Conditions) during normal business hours, so long as any of the Notes is outstanding.
- (13) PricewaterhouseCoopers LLP, Registered Auditors with the Institute of Chartered Accountants in England and Wales, has audited, and rendered an unqualified audit report on, in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and International Financial Reporting Standards, the consolidated financial statements of the Issuer, for the two years ended 31 December 2015 and 31 December 2016 and the consolidated financial statements of Aberdeen for the two years ended 30 September 2015 and 30 September 2016. PricewaterhouseCoopers LLP has no material interest in the Issuer. KPMG LLP, Registered Auditors with the Institute of Chartered Accountants in England and Wales, has been appointed as auditors of the Issuer for the financial year ending 31 December 2017 with effect from 16 May 2017. KPMG LLP has no material interest in the Issuer.
- (14) KPMG LLP has given and has not withdrawn its written consent to the inclusion of its accountant's report on the unaudited pro forma financial information of the Group set out in this Prospectus in the form and context in which it appears. It has authorised the contents of its report for the purposes of rule 5.5.4(2)(f) of the Prospectus Rules.
- (15) There are no material contracts entered into other than in the ordinary course of the Issuer's business which could result in the Issuer being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes.
- (16) The Issuer does not intend to provide any post-issuance information in relation to the Notes.
- (17) The Managers and their affiliates have engaged, and may in the future engage in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Managers or their affiliates may have (or may in the future have) a lending relationship with the Issuer and may hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future

trading prices of the Notes. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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(with effect from 16 May 2017)

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Trustee*

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