

**NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES OR ITS TERRITORIES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS OR OTHERWISE THAN TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED**

**IMPORTANT NOTICE**

**IMPORTANT:** You must read the following before continuing. The following disclaimer applies to the following Drawdown Prospectus (which term, in this disclaimer, means the following Drawdown Prospectus in preliminary or final form). You must read this disclaimer carefully before reading, accessing or making any other use of the Drawdown Prospectus. In accessing the Drawdown Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

THE DRAWDOWN PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE DRAWDOWN PROSPECTUS MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT U.S. PERSONS, AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE DRAWDOWN PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THE DRAWDOWN PROSPECTUS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. SUCH SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS UNLESS THEY ARE REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE.

**Confirmation of your Representation:** In order to be eligible to view the Drawdown Prospectus or make an investment decision with respect to the securities described therein (the "**Notes**"), you must not be in the United States or be, or be acting on behalf of, a U.S. person (within the meaning of Regulation S under the Securities Act). By accepting the email and accessing the Drawdown Prospectus, you shall be deemed to have represented to Nationwide Building Society (the "**Issuer**") and to each of Merrill Lynch International, J.P. Morgan Securities plc, The Royal Bank of Scotland plc and UBS Limited (together, the "**Joint Lead Managers**") that:

- (1) you are outside the United States and are not a U.S. person, as defined in Regulation S under the Securities Act, nor acting on behalf of a U.S. person and, to the extent you purchase any Notes you will be doing so pursuant to Regulation S under the Securities Act;
- (2) the electronic mail address to which the attached Drawdown Prospectus has been delivered is not located in the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, and
- (3) you consent to delivery of the attached Drawdown Prospectus and any amendments or supplements thereto by electronic transmission.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Joint Lead Managers and their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling any of the foregoing accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the Issuer.

You are reminded that the Drawdown Prospectus has been delivered to you on the basis that you are a person into whose possession the Drawdown Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to ensure that it is free from viruses and other items of a destructive nature.

Any materials relating to the potential offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the potential offering be made by a licensed broker or dealer and any Joint Lead Manager any affiliate of any Joint Lead Manager is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by such Joint Lead Manager or such affiliate, as the case may be, on behalf of the Issuer in such jurisdiction.

Under no circumstances shall this Drawdown Prospectus constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction in which such offer or solicitation would be unlawful. No action has been or will be taken in any jurisdiction by the Issuer or the Joint Lead Managers that would, or is intended to, permit a public offering of the securities, or possession or distribution of the Drawdown Prospectus or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required.

Recipients of the Drawdown Prospectus who intend to subscribe for or purchase any Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in the Drawdown Prospectus in final form.

The Drawdown Prospectus is being distributed only to and directed only at (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or (iii) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "**relevant persons**"). The Drawdown Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Drawdown Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons. The Drawdown Prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 would not, if the Issuer were not an authorised person, apply to the Issuer.



## **Nationwide Building Society**

*(Incorporated in England under the Building Societies Act 1986, as amended)*

### **Issue of €1,250,000,000 4.125 per cent. Fixed Rate Reset Callable Subordinated Notes due 2023**

#### **Issue Price: 99.566 per cent.**

The €1,250,000,000 4.125 per cent. Fixed Rate Reset Callable Subordinated Notes due 2023 (the "**Notes**") are to be issued by Nationwide Building Society (the "**Issuer**" or the "**Society**") under its U.S.\$25,000,000,000 European Note Programme (the "**Programme**").

The Notes will constitute direct, unsecured and subordinated obligations of the Society, ranking junior to the claims of depositors, investment creditors and other unsubordinated creditors of the Issuer and *pari passu* with claims in respect of other dated subordinated obligations of the Society, as further set out in the terms and conditions of the Notes contained in this document (the "**Conditions**").

The Notes will bear interest from (and including) 20 March 2013 (the "**Issue Date**") to (but excluding) 20 March 2018 (the "**Optional Call Date**") at 4.125 per cent. per annum, and thereafter at a fixed rate of interest reset on the Optional Call Date. Interest will be payable annually in arrear on 20 March in each year, commencing on 20 March 2014 (each an "**Interest Payment Date**").

Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their principal amount together with any accrued but unpaid interest on 20 March 2023 (the "**Maturity Date**"). The Notes will be redeemable prior to the Maturity Date at the option of the Issuer, subject to certain conditions, in whole but not in part on the Optional Call Date at their principal amount together with any accrued but unpaid interest. In addition, the Issuer may elect to redeem the Notes in whole but not in part, and subject to certain conditions, at any time at their principal amount together with any accrued but unpaid interest if, due to a change in applicable law or regulation (i) it becomes obliged to pay additional amounts on the Notes due to any withholding or deduction on account of UK taxes, (ii) interest payments on the Notes cease to be deductible for the Society's corporation tax purposes or (iii) the whole of the aggregate nominal amount of the Notes outstanding is fully excluded from tier 2 capital of the Issuer (other than by way of any applicable limits).

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**"), and may not be offered or sold or delivered within the United States, absent registration or an applicable exemption from registration under the Securities Act. In addition, the Notes are subject to U.S. tax law requirements and may not be sold to U.S. persons.

The Notes will be in bearer form in denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 and will initially be represented by a temporary global Note, exchangeable for a permanent global Note not earlier than 40 days after the Issue Date upon certification of non-U.S. beneficial ownership. The global Notes will be deposited on or about the Issue Date with a common depository for Euroclear Bank SA/NV and Clearstream Banking, *société anonyme*. Definitive Notes will be issued only in certain limited circumstances.

Application has been made to the Financial Services Authority in its capacity as competent authority (the "**UK Listing Authority**") under the Financial Services and Markets Act 2000 (the "**FSMA**") for the Notes to be admitted to the Official List of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's regulated market. References in this drawdown prospectus (the "**Drawdown Prospectus**") to Notes being listed (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. 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).

**Prospective investors should have regard to the factors referred to under the section headed "Risk Factors" in this Drawdown Prospectus.**

The Notes are expected to be rated BBB+ by Standard & Poor's Credit Market Services Europe Limited, Baa1 by Moody's Investors Service Limited and A by Fitch Ratings Ltd., each of which is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such, Standard & Poor's Credit Market Services Europe Limited, Moody's Investors Service Limited and Fitch Ratings Ltd. are included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

#### **Joint Lead Managers**

**BofA Merrill Lynch**

**J.P. Morgan**

**The Royal Bank of Scotland**

**UBS Investment Bank**

## IMPORTANT INFORMATION

This Drawdown Prospectus constitutes a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the "**Prospectus Directive**").

The Society (the "**Responsible Person**") accepts responsibility for the information contained in this Drawdown Prospectus. To the best of the knowledge of the Society (having taken all reasonable care to ensure that such is the case) the information contained in this Drawdown Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The only persons authorised to use this Drawdown Prospectus in connection with an offer of Notes are the Society and each of Merrill Lynch International, J.P. Morgan Securities plc, The Royal Bank of Scotland plc and UBS Limited (together the "**Joint Lead Managers**" which term shall, where the context admits, be deemed to include their respective affiliates).

Copies of the Final Terms will be available from the principal office of the Society and the specified office of each of the Paying Agents.

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

None of the Joint Lead Managers, the Trustee or the Paying Agents have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers, the Trustee or the Paying Agents as to the accuracy or completeness of the information contained or incorporated in this Drawdown Prospectus or any other information provided by the Society in connection with the Society, the Programme or the Notes. None of the Joint Lead Managers or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Drawdown Prospectus or any other information provided by the Society in connection with the Society, the Programme or the Notes.

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

Neither this Drawdown Prospectus nor any other information supplied in connection with the Society, the Programme or the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Society, the Trustee, the Paying Agents or either of the Joint Lead Managers that any recipient of this Drawdown Prospectus or any other information supplied in connection with the Society, the Programme or the Notes should subscribe for or purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Society. Neither this Drawdown Prospectus nor any other information supplied in connection with the Society, the Programme or the issue of the Notes constitutes an offer or invitation by or on behalf of the Society, the Trustee, the Paying Agents or either of the Joint Lead Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Drawdown Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Society is correct at any time

subsequent to the date hereof or that any other information supplied in connection with the Society, the Programme or the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers, the Paying Agents and the Trustee expressly do not undertake to review the financial condition or affairs of the Society during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

This Drawdown Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Drawdown Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Society, the Trustee, the Paying Agents and the Joint Lead Managers do not represent that this Drawdown Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Society, the Trustee, the Paying Agents or the Joint Lead Managers which is intended to permit a public offering of any Notes or distribution of this Drawdown Prospectus in any jurisdiction. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Drawdown 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 Drawdown Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Drawdown Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Drawdown Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom), Japan and Switzerland – see "*Subscription and Sale*" in the Base Prospectus (as defined under "*Documents Incorporated by Reference*" below).

**The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Drawdown Prospectus or any applicable supplement; (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio; (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency; (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.**

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

All references in this Drawdown Prospectus to "**Sterling**" and "**£**" are to pounds sterling and all references to "**euro**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union ("**EU**"), as amended.

References in this Drawdown Prospectus to the "**Group**" are references to the Issuer and its subsidiaries, all of which are consolidated, unless the context otherwise requires, and references to the "**Act**" are references to the Building Societies Act 1986, as amended.

## TABLE OF CONTENTS

Overview of the Notes .....	6
Risk Factors .....	10
Documents Incorporated by Reference.....	32
Terms and Conditions of the Notes .....	33
Final Terms of the Notes .....	34
Subscription and Sale .....	53
General Information .....	54

## OVERVIEW OF THE NOTES

*This overview must be read as an introduction to this Drawdown Prospectus and any decision to invest in the Notes should be based on a consideration of this Drawdown Prospectus as a whole, including the documents incorporated by reference. Words and expressions defined in "Final Terms of the Notes" or elsewhere in this Drawdown Prospectus shall have the same meanings in this overview.*

<b>Issuer:</b>	Nationwide Building Society (the " <b>Society</b> " or the " <b>Issuer</b> ")
<b>Description of the Notes:</b>	€1,250,000,000 4.125 per cent. Fixed Rate Reset Callable Subordinated Notes due 2023 (the " <b>Notes</b> ") issued pursuant to the Issuer's U.S.\$25,000,000,000 European Note Programme.
<b>Issuing and Principal Paying Agent:</b>	Citibank, N.A., London Office
<b>Trustee:</b>	The Law Debenture Trust Corporation p.l.c.
<b>Issue Date:</b>	20 March 2013
<b>Issue Price:</b>	99.566 per cent.
<b>Status of the Notes:</b>	The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank <i>pari passu</i> and without any preference among themselves.
<b>Subordination of the Notes:</b>	<p>On a winding-up of the Issuer, the claims of Noteholders in respect of principal and interest will rank:</p> <ul style="list-style-type: none"><li>(i) subordinated to the claims of depositors, investment creditors and other unsubordinated creditors of the Issuer in respect of their respective senior claims;</li><li>(ii) <i>pari passu</i> among themselves and with any claims in respect of obligations which rank, or are expressed to rank, <i>pari passu</i> therewith (including claims in respect of dated subordinated notes) ("<b>Parity Obligations</b>"); and</li><li>(iii) senior to the claims of holders of any deferred shares (including permanent interest bearing shares and any deferred share (core capital) investments) and any other claims ranking, or expressed to rank, junior to either the Notes or to any Parity Obligations ("<b>Junior Obligations</b>").</li></ul> <p>Subject to applicable law, no Noteholder or Couponholder 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 or the Coupons.</p>
<b>Redemption:</b>	<p><i>Maturity</i></p> <p>Unless previously redeemed or purchased and cancelled, the Notes</p>



will be redeemed on 20 March 2023 (the "**Maturity Date**") at their principal amount together with any accrued but unpaid interest up to (but excluding) the Maturity Date.

The Issuer may elect to redeem the Notes prior to the Maturity Date in the circumstances described below.

*Issuer's Call Option*

The Issuer may, upon giving appropriate notice to the Trustee, the Agent and to the Noteholders and subject to certain conditions, elect to redeem all, but not some only, of the Notes then outstanding on 20 March 2018 (the "**Optional Call Date**") at their principal amount, together with any accrued but unpaid interest.

*Redemption due to Taxation or for Regulatory Purposes*

If a Tax Event or a Regulatory Event has occurred and is continuing, the Issuer may, upon giving appropriate notice to the Trustee, the Agent and to the Noteholders and subject to certain conditions, redeem all, but not some only, of the Notes at any time at their principal amount, together with any accrued but unpaid interest.

**Interest:**

The Notes bear interest from (and including) the Issue Date at the applicable fixed rate of interest from time to time.

Prior to the Optional Call Date, the rate of interest shall be 4.125 per cent. per annum. Thereafter, the fixed rate of interest will be the rate determined by the Agent as the 5 year Swap Rate plus 3.300 per cent, all as more fully described in Condition 4(d).

**Interest Payment Dates:**

Interest payments in respect of the Notes will be payable annually in arrear on 20 March in each year, commencing on (and including) 20 March 2014.

**Default and Enforcement:**

The ability of Noteholders to enforce the terms of the Notes is limited. The Notes may be accelerated if:

- (a) default is made in the payment of any interest when due (subject to the applicable grace period); or
- (b) otherwise than by virtue of Section 93(5), Section 94(10), Section 97(9) or Section 97(10) of the Act, the Issuer is dissolved by consent of its members, a special resolution of the members is passed that the Issuer be wound up voluntarily or a petition that the Issuer be wound up by the Court is granted,

provided that the Trustee shall only be able to enforce payment in respect of the Notes by instituting proceedings for, and/or participating in, the winding up of the Issuer and/or claiming in the liquidation of the Issuer for such payment, and the Issuer shall not be obliged to pay any amounts in respect of principal or interest before such time as the same would otherwise have become due

for payment otherwise than during or after a winding up or dissolution of the Issuer.

**Taxation:**

All payments in respect of the Notes shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, or levied by the United Kingdom, unless required by law.

If any such withholding or deduction is made, additional amounts will be payable by the Issuer subject to certain exceptions as are more fully described in Condition 8 (*Taxation*).

**Cross-default:**

None.

**Negative pledge:**

None.

**Form:**

The Notes will be issued in global bearer form, initially represented by a temporary global Note, exchangeable for a permanent global Note not earlier than 40 days after the Issue Date upon certification of non-U.S. beneficial ownership. The global Notes will be deposited on or about the Issue Date with a common depositary for Euroclear and Clearstream, Luxembourg. Definitive Notes will be issued only in certain limited circumstances.

**Denomination:**

The Notes will be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No definitive Notes will be issued in a denomination above €199,000.

**Governing Law:**

The Notes and any non-contractual obligations arising out of or in connection with them are governed by, and will be construed in accordance with, English law.

**Rating:**

The Notes are expected to be rated BBB+ by Standard & Poor's Credit Market Services Europe Limited, Baa1 by Moody's Investors Service Limited and A by Fitch Ratings Ltd., each of which is established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

**Listing and Admission to Trading:**

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

**Selling and Transfer Restrictions:**

United States, the European Economic Area (including the United Kingdom), Japan and Switzerland.

**U.S. Restrictions:**

Regulation S, Category 2; TEFRA D

**Use of Proceeds:**

The net proceeds of the issue of the Notes will be applied for

general purposes of the Issuer including without limitation, making mortgage advances on private residential property located in the United Kingdom and making a profit.

**Risk Factors:**

Prospective investors should carefully consider the information set out in the section entitled "*Risk Factors*" in conjunction with the other information contained in or incorporated by reference in this Drawdown Prospectus.

**ISIN:**

XS0906394043

**Common Code:**

090639404

## **RISK FACTORS**

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

*In addition, factors which are material for the purpose of assessing the market risks associated with the 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 inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. Prospective investors should also read the detailed information set out, or incorporated by reference in, this Drawdown Prospectus and reach their own views prior to making any investment decision.*

### **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE NOTES AND THE MARKET RISKS ASSOCIATED WITH THE NOTES**

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

The Notes will constitute unsecured and subordinated obligations of the Issuer. On a winding-up or dissolution of the Issuer, claims in respect of the Notes would rank behind the claims of all depositors, investment creditors and other unsubordinated creditors of the Issuer, and *pari passu* with claims in respect of other dated subordinated obligations of the Issuer and any other claims which rank or are expressed to rank *pari passu* with the claims in respect of 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 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 or other instruments which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Notes. The issue of any such securities or instruments may reduce the amount (if any) recoverable by holders of Notes on a winding-up, liquidation or dissolution of the Issuer.

If the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound-up, 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 event, investors may lose some or substantially all of their investment in the Notes, whether or not the Issuer is wound up.

***The Notes may become subject to provisions requiring capital instruments to be written-down or converted to common equity tier 1 capital instruments at the point of non-viability of the Issuer under proposals intended to implement capital requirements forming part of the Basel III framework***

On 16 December 2010 and on 13 January 2011, with a minor revision on 1 June 2011, the Basel Committee on Banking Supervision issued its final guidance on a number of fundamental reforms to its global regulatory capital framework (such reforms being commonly referred to as "**Basel III**"), including (by way of the 13 January 2011 press release) a requirement that all additional tier 1 and tier 2 capital instruments (such as the Notes) issued after 1 January 2013, either under their terms or pursuant to appropriate laws, be written down or converted into common equity tier 1 capital instruments (at the option of the relevant regulatory authority) upon the occurrence of certain "non-viability" trigger events.

The Basel III framework is expected to be implemented in the EU via a regulation to establish a single set of harmonised prudential rules which will apply directly to all credit institutions in the EU, and an associated capital requirements directive containing related, more high-level provisions, which will need to be transposed into national law (commonly referred to collectively as "**CRD IV**"). CRD IV had been expected to be implemented with effect from 1 January 2013, as envisaged by Basel III. However, implementation of CRD IV has been delayed until at least later in 2013 pending continued negotiation of the texts between the European Parliament, Council and Commission. The most recent official draft texts of CRD IV, whilst referring briefly to the Basel III non-viability requirements in a recital, do not contain any operative provisions recognising or implementing the Basel III non-viability requirements.

However, on 6 June 2012, following earlier consultation papers in this area published in January 2011 and March 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms. Among other things, the proposed crisis-management directive ("**CMD**") contemplates the introduction of provisions for authorities to ensure mandatory write-down or conversion of capital instruments (such as the Notes) at the point of non-viability of the relevant institution.

The draft CMD contemplates that resolution authorities will be required to write down such capital instruments in full on a permanent basis, or convert them in full into common equity tier 1 instruments, at the point of non-viability and before any other resolution action is taken under the CMD. The draft CMD provides, *inter alia*, that resolution authorities shall exercise the write-down power in relation to non-viability loss absorption in a way that results in (i) common equity tier 1 instruments being written down first in proportion to the relevant losses and (ii) thereafter, the principal amount of relevant capital instruments (including tier 2 capital instruments, such as the Notes) being reduced to zero on a permanent basis.

The point of non-viability under the draft CMD is considered to be the point at which (i) the appropriate authority determines that the institution meets the conditions for resolution, (ii) the appropriate authority determines that the institution will no longer be viable unless the relevant capital instruments are written down or (iii) extraordinary public support is to be provided by the relevant member state and without such support the appropriate authority determines that the institution would no longer be viable. The trigger point affords considerable discretion to the resolution authorities, and accordingly the point at which such write-down or conversion powers may be exercised is inherently unpredictable.

There is still scope for changes to be made to the text of the CMD before any final legislation is adopted. On the basis of the current proposals, however, European Union member states will be expected to implement the CMD proposals on capital write-down on or before 1 January 2015. It is not certain whether the proposals on capital write-down, when implemented, will apply to outstanding liabilities already in issue or whether certain grandfathering provisions will apply. Given the texts of CRD IV remain unsettled, it remains unclear whether any form of non-viability loss absorption would be required to apply to capital instruments (such as the Notes) before implementation of the CMD.

If the CMD or any similar legislation regarding write-down or conversion to common equity tier 1 instruments of capital instruments were to be implemented and become effective in respect of the Notes, the Notes may be written-down, written-off or converted to common equity tier 1 capital instruments upon the occurrence of the relevant non-viability trigger events. In such case, Noteholders would lose some or all of their investment in the Notes.

In addition, the coming into force of any such non-viability legislation in respect of the Notes may have a material adverse effect on the market price of the Notes and the market price of the Notes may be more volatile than the market prices of other securities or instruments that are not subject to similar provisions and may be more sensitive generally to adverse changes in the Issuer's financial condition. Any anticipated write-down or conversion of the Notes can be expected to have a material adverse effect on the market price of the Notes, and such effects can be expected to become increasingly pronounced if the Issuer's financial condition deteriorates such that it becomes more likely that the relevant non-viability triggers will be hit. 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 event, investors may lose some or substantially all of their investment in the Notes, whether or not any write-down or conversion of the Notes ultimately occurs.

***Redemption of the Notes prior to the Maturity Date is at all times at the discretion of the Issuer, and an investor may not be able to reinvest the redemption proceeds at as effective a rate of return as that in respect of the Notes***

The Notes may only be redeemed prior to the Maturity Date (20 March 2023) at the option of the Issuer. There are a number of circumstances in which the Issuer shall have the right to redeem the Notes, including at its option on 20 March 2018 at their principal amount together with any accrued but unpaid interest.

In addition, the Issuer may (subject to certain conditions) redeem all outstanding Notes at any time at their principal amount together with any accrued but unpaid interest if:

- (A) as a result of a change in applicable law or regulation, payments in respect of the Notes (i) cease to be fully deductible for United Kingdom corporation tax purposes or (ii) become subject to United Kingdom withholding tax and the Issuer is required to gross-up any such payments; and
- (B) as a result of a change in applicable prudential and capital adequacy laws or regulations, the whole of the aggregate nominal amount of the Notes outstanding is fully excluded from tier 2 capital of the Issuer.

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

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

***Interest shall accrue on the Notes at a fixed rate of return***

The Notes will bear interest at a fixed rate of return, reset as of the Optional Call Date (20 March 2018). Investment in fixed rate instruments involves the risk that if market rates of return subsequently increase above the rate paid on the Notes, this will adversely affect the market price of the Notes.

### ***Rights of enforcement in respect of the Notes are limited***

Whilst the Trustee may at its discretion, and subject to it being indemnified and/or secured and/or prefunded to its satisfaction, institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Notes, in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it under the Notes or the Trust Deed, except in a winding-up or dissolution of the Issuer.

Further, no holder of Notes shall be entitled to take any enforcement action against the Issuer in respect of its Notes unless the Trustee, having become bound to take action in accordance with the Conditions, fails to do so within a reasonable period and such failure shall be continuing.

### ***The terms of the Notes contain provisions which permit their modification without the consent of all investors***

The Conditions contain provisions for convening meetings of holders to consider matters relating to the Notes. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. In addition, defined majorities of holders are able to bind all other holders through the passing of written resolutions. The changes which such majorities may consent to include changes which may have a material adverse impact on, or abrogate, the holders' rights attaching to the Notes.

## **RISKS RELATED TO THE MARKET GENERALLY**

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, rate of return risk and credit risk:

### ***An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the price at which an investor could sell the Notes***

There is currently no active trading market in the Notes. Although application has been made for the Notes to be listed on the Official List maintained by the UK Listing Authority and admitted to trading on the regulated market of the London Stock Exchange, there can be no guarantee that an active trading market in the Notes will develop. Accordingly, there can be no assurance as to the development or liquidity of any trading market for the Notes. Illiquidity may have a severely adverse effect on the market value of the Notes.

If the Notes are traded after their initial issuance, they may trade at a discount to their issue price, depending upon prevailing market rates of return, the market for similar securities, general economic conditions and investors' general perception of the credit risk of the Issuer. In addition, any deterioration in the financial condition of the Issuer can be expected to have a material adverse effect on the market price of the Notes. Therefore, investors may not be able to sell the Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and will lose some of their investment if they sell their Notes at a price that is lower than the price at which they purchased such Notes.

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

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

The Issuer will discharge its payment obligations under the Notes by procuring that payments are made to Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

***The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes***

#### *Withholding under the EU Savings Directive*

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

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

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

***The value of the Notes could be adversely affected by a change in English law or administrative practice***

The Conditions of the Notes are based on English law, in effect as at the date of this Drawdown Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Drawdown Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

See also the risk factors headed "*The Notes may become subject to provisions requiring capital instruments to be written-down or converted to common equity tier 1 capital instruments at the point of non-viability of the Issuer under proposals intended to implement capital requirements forming part of the Basel III framework*", "*Risks associated with governmental authorities and monetary policies of the UK and changes thereto may adversely affect the Issuer's business*" and "*The Issuer is subject to capital requirements that could have an impact on its operations*" in relation to proposed changes in law which may affect the Notes.

***Investors who hold a principal amount of Notes that is less than the minimum specified denomination will be adversely affected if definitive Notes are subsequently required to be issued***

The Notes are issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000. If definitive Notes were to be issued, a holder who holds less than €100,000 in principal amount of the Notes in its account with a relevant clearing system would not be able to receive a



definitive Note, and would need to purchase additional Notes such that it holds at least a principal amount of €100,000 in order to receive its Notes in definitive form.

***If an investor's home currency is not euro, it will be exposed to movements in exchange rates adversely affecting the value of his holding of Notes. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes***

The Issuer will pay principal and interest on the Notes in euro. 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 euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro 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 euro 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 or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***The credit ratings may not be reliable, and changes to the credit ratings could affect the value of the Notes***

The credit ratings assigned to the Issuer and/or the Notes may not reflect the potential impact of all risks relating to the value of the Notes. In addition, real or anticipated changes in the credit ratings of the Issuer and/or the Notes will generally affect the market value of the Notes. These credit ratings could change due to a wide range of factors.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

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), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the 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. Certain information with respect to Standard & Poor's Credit Market Services Europe Limited, Moody's Investors Service Limited and Fitch Ratings Ltd. is set out on the cover of this Drawdown Prospectus.

## FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

*The Issuer's business and financial performance has been and will continue to be affected by general economic conditions in the UK, the eurozone and elsewhere, and other adverse developments in the UK or global financial markets could cause the Issuer's earnings and profitability to decline*

The Issuer is directly and indirectly subject to inherent risks arising from general economic conditions in the UK and other economies, particularly the eurozone and the state of the global financial markets both generally and as it specifically affects financial institutions. For approximately five years, the global economy and the global financial system have experienced a period of significant turbulence and uncertainty. The very severe dislocation of the financial markets around the world that began in August 2007 and worsened significantly in 2008 triggered widespread problems at many commercial banks, investment banks, insurance companies, building societies and other financial and related institutions in the UK and around the world. The dislocation severely impacted general levels of liquidity, the availability of credit and the terms on which credit is available. This crisis in the financial markets led the UK government (the "**Government**") and other governments to inject liquidity into the financial system and take other forms of action relating to financial institutions, including bank recapitalisations and the provision of government guarantees for certain types of funding, aimed at both supporting the sector and providing confidence to the market.

These market dislocations were also accompanied by recessionary conditions and trends in the UK and many economies around the world. The widespread deterioration in the UK and other economies around the world adversely affected, among other things, consumer confidence, levels of unemployment, the state of the housing market, the commercial real estate sector, bond markets, equity markets, counterparty risk, inflation, the availability and cost of credit, transaction volumes, the liquidity of the global financial markets and market interest rates, which in turn had, and continues to have, a material adverse effect on the Issuer's business, operating results, financial conditions and prospects.

Although there have been periods where market conditions have generally improved, recent developments, particularly in the eurozone, have demonstrated that there continues to be significant uncertainty. From April 2010 to date, financial markets have been periodically negatively impacted by ongoing fears surrounding the large sovereign debts and/or fiscal deficits of several countries in Europe (primarily Greece, Ireland, Italy, Portugal and Spain ("**GIIPS**")) and the possibility of one or more defaults on sovereign debt and the risk of contagion to other more stable countries throughout and beyond the eurozone remains. This is, in part, because a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by nations, in particular GIIPs, which are under considerable financial pressure. Should any of these nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be destabilised, resulting in the further spread of the ongoing economic crisis.

Moreover, the sovereign debt crisis in Europe has periodically adversely affected the ability of countries throughout the eurozone to raise capital and the cost thereof. The uncertainty of how this may be resolved has led to an increase in the cost of funding for significant periods over the past two years. The initial impact of these increases were felt in the wholesale markets in the UK, and there has been a consequent increase in the cost of retail funding, with greater competition in a savings market which is growing slowly by historical standards. In the absence of a permanent resolution of the eurozone crisis, conditions could continue to deteriorate.

The outlook for the UK economy has remained challenging over the last year, with the UK economy dipping back into recession in 2012. Though the economy returned to growth in the third quarter of 2012, this was in part due to one-off factors (such as the Olympics), and prospects for the 2013-2014 financial year remain challenging. Uncertainty surrounding the future of the eurozone continues to pose a risk of further significant slowdown in economic activity in the UK's principal export markets which would have a corresponding

effect on the broader UK economy. A wide-scale break-up of the eurozone would most likely be associated with a significant deterioration in the economic and financial environment in the UK and eurozone that would materially affect the capital and the funding position of participants in the European financial sector. Domestically, both public and household spending are being constrained by austerity measures, and the Issuer faces the risk of higher levels of unemployment combined with declines in real disposable incomes. Government measures to return UK public finances to a sustainable trajectory, including taxation rises and the public spending cuts being implemented, are also likely to result in a slower recovery than other recent recessions.

The exact nature of the risks that the Issuer faces and the manner and the extent to which they ultimately will impact the Issuer is difficult to predict and to guard against in light of (i) the inter-related nature of the risks involved, (ii) difficulties in predicting whether recoveries will be sustained and at what rate, and (iii) the fact that the risks are totally or partially outside of the control of the Issuer.

At the onset of the financial turbulence noted earlier, the Issuer experienced a decline in its net interest margin, but more recently, this has stabilised. The initial decline was driven by the increased cost of retail funding (reflecting the competitive savings market), the progressive re-pricing of long term wholesale funding and by the Issuer's Base Mortgage Rate ("**BMR**") commitment to existing borrowers whereby the Issuer guaranteed existing customers that its BMR will be no more than 200 basis points above the Bank of England ("**BoE**") Base Rate. The decline in net interest margin also reflected the fact that customers have continued to benefit from the Issuer's decision not to implement the mortgage tracker floor when the Issuer's Base Rate reached 2 per cent., 0.75 per cent. below their contractual floor limit of 2.75 per cent. Whilst these remain negative drivers, more recently they have been offset by wider spreads on new mortgage and other lending. However, if low interest rates persist and therefore restrict scope to reprice customer balances, this will continue to depress net interest margin and profitability.

The UK housing market has remained muted throughout the year ended 4 April 2012, with transaction levels well below historic norms and with house prices essentially flat for the past two years. Unless there is a deterioration in UK credit conditions, such as might result from a spike in interest rates or a marked further deterioration in labour market conditions, the Issuer believes that a major dip in house prices is unlikely over the next year. At the same time, the upside potential for house prices is limited by the high level of prices relative to household earnings and the more restricted availability of mortgage credit relative to pre-crisis levels. The depth of the previous house price declines as well as the continuing uncertainty as to the timing and extent of the economic recovery will mean that losses could be incurred on loans should they go into possession.

The UK commercial property market was negatively impacted by the recession with peak (June 2007) to trough (July 2009) falls in capital values of 44 per cent. and conditions remain extremely challenging. After some recovery, commercial property capital values have seen further steady declines since October 2011 and have remained negative for ten consecutive months (*Source*: Investment Property Databank, August 2012). The investment market has had lower transaction levels as a result of weak demand (*Source*: Property Data, September 2012) and the availability of credit has seen its fourth consecutive quarterly decline which has been attributed to the renewed falls in capital values, with demand for credit also declining over the last four quarters (*Source*: Bank of England). These developments mean that the outlook for the UK commercial property market remains uncertain. Market forecasts currently expect capital values to continue to fall throughout 2013 albeit at a lower rate than 2012 before stabilising in 2014. At 30 September 2012, the proportion of the Group's commercial loans three months or more in arrears was 4.38 per cent. (4 April 2012: 3.66 per cent.), with arrears balances of £75 million (4 April 2012: £58 million). The Issuer booked a total commercial impairment charge of £193 million in the first half, which is £18 million higher than in the second half of the Issuer's 2011/12 financial year and £121 million higher than in the first half of the Issuer's 2011/12 financial year.

The continued effect of margin pressure and exposure to both retail and commercial loan impairment charges resulting from the impact of general economic conditions means that the Issuer may continue to experience

low levels of profitability and growth, and there remains the possibility of reduced profitability (including as a result of further impairment charges) and in some certain extreme scenarios possible losses depending on a number of external influences, such as the consequences of a more austere economic environment.

***Negative fair value adjustments could have a material adverse effect on the Issuer's operating results, financial condition and prospects***

The dislocations in the financial markets have resulted in the Issuer recording in its results over the last three financial years impairment charges and negative fair value adjustments with respect to securities and other investments that it holds. Asset valuations in future periods, reflecting prevailing market conditions, may result in further negative changes in the fair values of the Group's investment assets and these may also translate into increased impairments, particularly with respect to the Issuer's exposure through its liquidity and investment portfolios to financial institutions in GIIPS and residential mortgage backed securities ("RMBS") and covered bonds collateralised on assets originated in GIIPS. In addition, the value that the Issuer ultimately realises for its securities and other investments may be lower than the current fair value. Any of these factors could require the Issuer to record further negative fair value adjustments, which may have a material adverse effect on its operating results, financial condition or prospects.

***The Group's business is subject to inherent risks concerning liquidity, particularly if the availability of traditional sources of funding such as retail deposits or its access to wholesale money markets becomes limited and/or becomes more expensive, and this may have an adverse effect on its business and profitability***

Liquidity and funding continue to remain key areas of focus for the Group and the industry as a whole. Like all major financial institutions, the Group is dependent on confidence in the short and long term wholesale funding markets. Should the Group, due to exceptional circumstances, be unable to continue to source sustainable funding, its ability to fund its financial obligations could be impacted.

The Group's business is subject to risks concerning liquidity, which are inherent in building society operations. If access to liquidity is constrained for a prolonged period of time, this could affect the Group's profitability. Whilst the Group expects to have sufficient liquidity to meet its funding requirements even in a market wide stress scenario, under extreme and unforeseen circumstances a prolonged and severe restriction on the Group's access to liquidity (including government and central bank funding and liquidity support) could affect its ability to meet its financial obligations as they fall due, to meet its regulatory minimum liquidity requirements, or to fulfil its commitments to lend. In such extreme circumstances the Group may not be in a position to continue to operate without additional funding support. Inability to access such support could have a material impact on the Group's solvency. These risks can be exacerbated by many enterprise-specific factors, including an over-reliance on a particular source of funding, changes in credit ratings, or market-wide phenomena such as market dislocation and major disasters. There is also a risk that the funding structure employed by the Group may prove to be inefficient, giving rise to a level of funding cost that is not sustainable in the long term for the Group to grow its business or even maintain it at current levels. The Group's ability to access retail and wholesale funding sources on satisfactory economic terms is subject to a variety of factors, including a number of factors outside of its control, such as liquidity constraints, general market conditions, regulatory requirements and loss of confidence in the UK banking system.

The ongoing availability of retail deposit funding is dependent on a variety of factors outside the Group's control, such as general economic conditions and market volatility, the confidence of retail depositors in the economy in general and in the Group in particular, the financial services industry specifically and the availability and extent of deposit guarantees. These or other factors could lead to a reduction in the Group's ability to access retail deposit funding on appropriate terms in the future.

The maintenance and growth of the level of the Issuer's lending activities depends in large part on the availability of retail deposit funding on appropriate terms, for which there has been increased competition

since the severe disturbances in the financial markets began. Increases in the cost of such funding together with the low base rate environment have had a negative impact on the Issuer's margins and profit. In extreme circumstances, loss in consumer confidence could result in high levels of withdrawals from the Issuer's retail deposit base, upon which the Issuer relies for lending and which could have a material adverse effect on its business, financial position and results of operations.

***In past years the Government has provided significant support to UK financial institutions, including most recently the Bank of England's Funding for Lending Scheme which commenced on 1 August 2012. Any significant reduction or withdrawal of this scheme could increase competition for other sources of funding which could adversely impact the Issuer***

In past years the Government has provided significant support to UK financial institutions, including through the Special Liquidity Scheme, which was introduced in April 2008 to improve the liquidity position of the banking system by allowing banks and building societies to swap their high quality mortgage-backed and other securities for UK Treasury Bills for up to three years, and the Credit Guarantee Scheme, which was introduced in October 2008 and under which the Government guaranteed eligible bank and building society debt securities for a limited period. The Issuer participated in both these schemes.

On 1 August 2012, the Bank of England's Funding for Lending Scheme (the "FLS") became operational. The aim of the FLS is to boost the incentive for banks and building societies to lend to UK households and non-financial companies. The FLS is designed to reduce funding costs for participating institutions so that they can make loans cheaper and more easily available. Access to the FLS is directly linked to how much each institution lends to the real economy. Those that increase lending are able to borrow more in the FLS and at a lower cost than those that scale back their loans. Under the FLS, participating financial institutions will, for a period of 18 months to the end of January 2014, be able to borrow funds with a maturity of up to four years.

The availability of Government support for UK financial institutions, to the extent that it provides access to cheaper and more attractive funding than other sources, reduces the need for those institutions to fund themselves in the retail or wholesale markets. The Issuer is participating in the FLS, and the Issuer's initial borrowing allowance under FLS was set at £7.61 billion. As at 30 September 2012, the Issuer had drawn £509 million of UK treasury bills, with further usage expected to form part of the Issuer's funding plans in the period to 31 January 2014 (when the drawdown period ends). By so participating, the Issuer reduces the need to fund itself in the wholesale markets and there is a risk that if it ceases to remain sufficiently active in those markets its access to them could be prejudiced in the future when Government support is reduced or no longer available to it. Any significant reduction or withdrawal of Government support will increase funding costs for those institutions which have previously utilised that support. In addition, other financial institutions who have relied significantly on Government support to meet their funding needs will also need to find alternative sources of funding when that support is reduced or withdrawn and, in such a scenario, the Issuer expects to face increased competition for funding, particularly retail funding on which it is reliant, in the future. This competition could further increase its funding costs and so adversely impact its results of operations and financial position.

***The Issuer's financial performance is affected by borrower credit quality***

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Issuer's businesses. Adverse changes in the credit quality of its borrowers and counterparties or a general deterioration in the UK or global economic conditions, including such changes or deterioration arising from systemic risks in the financial systems, could affect the recoverability and value of the Issuer's assets and require an increase in its impairment provision for bad and doubtful debts and other provisions.

As a result of, among other factors, increases and decreases in the BoE base rate, interest rates payable on a significant portion of the Issuer's outstanding mortgage loan products fluctuate over time, resulting in borrowers with a mortgage loan subject to a variable rate of interest or with a mortgage loan for which the

related interest rate adjusts following an initial fixed rate or low introductory rate, as applicable, being exposed to increased monthly payments as and when the related mortgage interest rate adjusts upward (or, in the case of a mortgage loan with an initial fixed rate or low introductory rate, at the end of the relevant fixed or introductory period). Over the last few years both variable and fixed interest rates have been at relatively low levels, which has benefitted borrowers taking out new loans and those repaying existing variable rate loans regardless of special or introductory rates, and these rates are expected to increase as general interest rates return to historically more normal levels. Future increases in borrowers' required monthly payments, which (in the case of a mortgage loan with an initial fixed rate or low introductory rate) may be compounded by any further increase in the related mortgage interest rate during the relevant fixed or introductory period, ultimately may result in higher delinquency rates and losses in the future.

Borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. Recent declines in housing prices and/or any further declines in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. These events, alone or in combination, may contribute to higher delinquency rates and losses.

***Rating downgrade and/or market sentiment with respect to the Issuer, the sector, the UK and/or other sovereign issuers may have an adverse effect on the Issuer's performance and/or the marketability and liquidity of the Notes***

If sentiment towards the banks, building societies and/or other financial institutions operating in the United Kingdom (including the Issuer) were to further deteriorate, or if the Issuer's ratings and/or the ratings of the sector were to be further adversely affected, this may have a materially adverse impact on the Issuer. In addition, such change in sentiment or further reduction in ratings could result in an increase in the costs and a reduction in the availability of wholesale market funding across the financial sector which could have a material adverse effect on the liquidity and funding of all UK financial services institutions, including the Issuer. Any such events could affect the market value of the Notes.

Any future declines in those aspects of the Issuer's business identified by the rating agencies as significant or otherwise could adversely affect the rating agencies' perception of the Issuer's credit and cause them to take further negative ratings actions. Any downgrade in the Issuer's credit ratings could adversely affect its liquidity and competitive position, undermine confidence in its business, increase its borrowing costs, limit its access to the capital markets, or limit the range of counterparties willing to enter into transactions with it. The Issuer has experienced all of these effects when downgraded in the past, although the precise effects experienced on each downgrade have varied based on the reasons for the particular downgrade and the extent to which the downgrade had been anticipated by the market. The Issuer's credit ratings are subject to change and could be downgraded as a result of many factors, including the failure to successfully implement its strategies. A downgrade could also lead to a loss of customers and counterparties which could have a material adverse effect on the Issuer's business, results of operations and financial condition.

If the ratings analysis of any agency that rates the Issuer's credit is updated to reflect lower forward-looking assumptions of systemic support in the current environment or higher assumptions of the risks in the financial sector, or otherwise modified, it could result in a further downgrade to the outlook or to the credit ratings of UK financial institutions, including the Issuer, which could have a material adverse effect on the borrowing costs, liquidity and funding of all UK financial services institutions, including the Issuer. A further downgrade could also create new obligations or requirements for the Issuer under existing contracts with its counterparties that may have a material adverse effect on the Issuer's business, financial condition, liquidity or results of operations.

Likewise, any downgrade of the UK sovereign credit rating, or the perception that such a downgrade may occur, may severely destabilise the markets and have a material adverse effect on the Issuer's operating results, financial condition, prospects and the marketability and trading value of the Notes. This might also impact on the Issuer's own credit ratings, borrowing costs and its ability to fund itself. A UK sovereign

downgrade or the perception that such a downgrade may occur would be likely to have a material effect in depressing consumer confidence, restricting the availability, and increasing the cost, of funding for individuals and companies, further depressing economic activity, increasing unemployment and/or reducing asset prices. These risks are exacerbated by concerns over the levels of the public debt of, the risk of further sovereign downgrades of, and the weakness of the economies in, GIIPS in particular. Further instability within these countries or others within the eurozone might lead to contagion.

***Competition in the UK personal financial services markets may adversely affect the Issuer's operations***

Developments in the Issuer's industry and increased competition could have a material adverse effect on the Issuer's operations. The Issuer operates in an increasingly competitive UK personal financial services market. It competes mainly with other providers of personal finance services, including banks, building societies and insurance companies.

The UK market for financial services and the mortgage market in particular have been reshaped by the recent financial crisis. Lenders have moved increasingly towards a policy of concentrating on the highest quality customers, judged by credit score and loan to value criteria, and there is strong competition for these customers. The supply of credit is much more limited for those potential customers without a large deposit or good credit history. As the wholesale funding market has become more challenging, there has been greater competition for retail deposits, which has inevitably impacted on lenders' margins. Competition may intensify further in response to consumer demand, technological changes, the impact of consolidation by the Issuer's competitors, regulatory actions and other factors. If increased competition were to occur as a result of these or other factors, the Issuer's business, financial condition and results of operations could be materially adversely affected. Currently, there is particular uncertainty on the shape and potential effects of pending changes to the way in which the sector is regulated. This is particularly the case in regard to the impact of the Government's response to the recommendations of the Independent Commission on Banking (the "ICB").

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

***If the Issuer does not control its financial and operational risks, it may be unable to manage its business***

The Issuer's success as a financial institution depends on its ability to manage and control its financial risk, which includes liquidity, market, and credit risk. It is exposed to liquidity risk as a result of mismatches in cash flows from balance sheet assets and liabilities and off-balance sheet financial instruments. The Issuer has market risk exposure as a result of changes in interest rates, foreign currency prices, asset prices or other financial contracts. Credit risk is the risk that a customer or counterparty is unable to meet its obligations to the Issuer as they fall due. If it fails to manage and control these risks, the Issuer could become unable to meet its own obligations, including those under the Notes, resulting in material adverse effects to its business, financial condition and reputation.

The Issuer's businesses are also dependent on its ability to process a very large number of transactions efficiently and accurately. Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, equipment failures, natural disasters or the failure of external systems, for example, those of its suppliers or counterparties. Although the Issuer has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is not possible to implement procedures which are fully effective in controlling each of the operational risks noted above. Notwithstanding the above, this risk factor should not be taken to imply

that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the FSA.

***Market risks may adversely impact the Issuer's business***

The most significant market risks that the Issuer faces are interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. Changes in currency rates, particularly in the sterling-dollar and sterling-euro exchange rates, affect the value of assets and liabilities denominated in foreign currencies and may affect income from assets and liabilities denominated in foreign currency.

The performance of financial markets may cause changes in the value of its investment and liquidity portfolios. Although the Issuer has implemented risk management methods to seek to mitigate and control these and other market risks to which it is exposed and its exposures are constantly measured and monitored, there can be no assurance that these risk management methods will be effective, particularly in unusual or extreme market conditions. It is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on its financial performance and business operations.

***Reputational risk could cause harm to the Issuer and the Issuer's business prospects***

The Issuer's ability to attract and retain customers and conduct business with its counterparties could be adversely affected if the Issuer's reputation or the reputation of the Nationwide brand is damaged. Failure to address, or appearing to fail to address, issues that could give rise to reputational risk could cause harm to the Issuer and the Issuer's business prospects. Reputational issues include, but are not limited to: appropriately addressing potential conflicts of interest; breaching or facing allegations of having breached legal and regulatory requirements; acting or facing allegations of having acted unethically (including having adopted inappropriate sales and trading practices); adequacy of anti-money laundering and anti-terrorism financing processes; privacy issues; failing or facing allegations of having failed to maintain appropriate standards of customer privacy, customer service and record-keeping; technology failures that impact upon customer services and accounts; sales and trading practices; proper identification of the legal, reputational, credit, liquidity and market risks inherent in products offered; and general company performance. A failure to address these issues appropriately could make customers unwilling to do business with the Issuer, which could adversely affect the Issuer's business, financial condition and results of operations.

***The Issuer is exposed to risks relating to the mis-selling of financial products, acting in breach of legal or regulatory principles or requirements and giving negligent advice***

The Issuer is exposed to many forms of legal and regulatory risk, which may arise in a number of ways. Primarily:

- certain aspects of the Issuer's business may be determined by the BoE, the FSA (and, from April 2013, the Prudential Regulation Authority (the "PRA") and the Financial Conduct Authority (the "FCA")), HM Treasury, the Office of Fair Trading (the "OFT"), the Financial Ombudsman Service (the "FOS") or the courts as not being conducted in accordance with applicable laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the Ombudsman's opinion;
- the alleged mis-selling of financial products, including as a result of having sales practices and/or rewards structures that are deemed to have been inappropriate, may result in disciplinary action (including significant fines) or requirements to amend sales processes, withdraw products, or provide restitution to affected customers, all of which may require additional provisions to be recorded in the Issuer's financial statements and could adversely impact future revenues from affected products; and
- the Issuer may be liable for damages to third parties harmed by the conduct of the Issuer's business.



In addition, the Issuer faces both financial and reputational risk where legal or regulatory proceedings, or complaints before the FOS, or other complaints are brought against it or members of the Issuer's industry generally in the High Court or elsewhere. For example, a High Court judgment in 2011 on the mis-selling of payment protection insurance ("PPI") resulted in very significant provisions for customer redress made by several UK financial services providers. The Issuer's provision for customer redress is reflected in a charge for the six month period ended 30 September 2012 of £45 million (£103 million for the year ended 4 April 2012). Although the Issuer's PPI product sales ceased in 2007 and although the Issuer views its historical sales volumes as relatively low and subject to a rigorous sales process, the Issuer continues to see elevated levels of PPI claims and there can be no assurance that the Issuer's estimates for potential liability are correct, and the Issuer's reserves taken to date might prove inadequate.

Failure to manage these risks adequately could lead to significant liabilities or reputational damage, which could have a material adverse effect on the Issuer's business, financial condition, results of operations and relations with customers.

***Risks associated with governmental authorities and monetary policies of the UK and changes thereto may adversely affect the Issuer's business***

The Issuer conducts its business subject to ongoing regulation by the FSA (and, from April 2013, the PRA and the FCA), which oversees the sale of residential mortgages, commercial lending and general insurance products. The regulatory regime requires the Issuer to be in compliance across many aspects of activity, including the training, authorisation and supervision of personnel, systems, processes and documentation. If the Issuer fails to be compliant with relevant regulations, there is a risk of an adverse impact on its business due to sanctions, fines or other action imposed by the regulatory authorities.

This is particularly the case in the current market environment, which is witnessing increased levels of government intervention in the banking, personal finance and real estate sectors. Future changes in regulation, fiscal or other policies are unpredictable and beyond the Issuer's control and could materially adversely affect its business or operations.

There are a number of business risks associated with the UK personal finance sector that alone or cumulatively could have a material adverse effect on the Issuer's operations, including the risk that the Financial Services Authority (and in the future, its successor regulatory bodies), and other bodies such as the Financial Services Ombudsman, could impose additional regulations on current and past dealings with retail customers. As a result, the Issuer may be required to incur costs to apply these regulations to its business, including costs relating to advice given to retail customers that purchased endowment policies used to repay mortgage loans.

The Banking Act 2009 (the "**Banking Act**"), which came into effect on 21 February 2009, includes (amongst other things) provision for a special resolution regime pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of a UK bank or building society (such as the Issuer). The orders which may be made under the Banking Act in respect of relevant deposit-taking institutions relate to share transfer powers (applying to a wide range of securities) and property transfer powers (including powers for partial transfers of property, rights and liabilities), certain ancillary powers (including powers to modify certain contractual arrangements in certain circumstances, including between group companies, and/or disapplication or modification of laws (with possible retroactive effect) and two new special insolvency procedures (bank insolvency and bank administration) which may be commenced by UK authorities. In addition, in respect of UK building societies, the relevant tools include modified property transfer powers which refer to (i) cancellation of shares and conferring rights and liabilities in place of such shares and (ii) a public ownership tool which may involve (amongst other things) arranging for deferred shares in a building society to be publicly owned, cancellation of private membership rights and the eventual winding up or dissolution of the building society. The Banking Act also includes powers for a modified bank insolvency procedure and/or a modified bank administration procedure to be applied by statutory instrument to building societies. Pursuant to Section 90C of the Act (as inserted by the Building Societies (Insolvency

and Special Administration) Order 2009 (amended by the Building Societies (Insolvency and Special Administration) (Amendment) Order 2010)), these special insolvency proceedings were applied (with modifications) to building societies.

In general, the Banking Act requires the UK authorities to have regard to specified objectives in exercising the powers provided for by the Banking Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial systems of the UK. It is a condition to the exercise of a stabilisation power under the Banking Act that the FSA must be satisfied that the relevant bank or building society is failing or likely to fail to meet the FSA's threshold conditions for authorisation and that, having regard to timing and other relevant circumstances, it is not reasonably likely that action would be taken that would have enabled such bank or building society to satisfy the threshold conditions. The Banking Act includes provisions related to compensation in respect of transfer instruments and orders made under it.

If an instrument or order were to be made under the Banking Act in respect of the Issuer, such instrument or order may (amongst other things) (i) result in a transfer to another issuer via the modified tools described above, (ii) affect the Issuer's ability to satisfy its obligations under the Notes and/or (iii) result in modifications to the terms of the Notes. In addition, the Banking Act contains particular powers for provision to be included in an instrument or order that such instrument or order (and possibly certain related events) be disregarded in determining whether certain widely defined "default event" provisions have occurred and provides for the disapplication or modification of laws (with possible retroactive effect) and/or fiscal consequences in connection with the exercise of powers under the Banking Act.

At present, the UK authorities have not made an instrument or order under the Banking Act in respect of the Issuer and there has been no indication that it will make any such instrument or order, but there can be no assurance that this will not change and/or that the holders of Notes will not be adversely affected by any such instrument or order if made.

On 6 June 2012, following earlier consultation papers in this area published in January 2011 and March 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms. Among other things, the proposed crisis-management directive ("CMD") contemplates the introduction of a package of minimum early intervention and resolution-related tools and powers for relevant authorities and provides for special rules for cross-border groups. The resolution tools and powers referred to in the CMD include certain tools and powers which overlap in part with those available under the Banking Act and also certain further tools, such as provision for authorities to bail-in eligible liabilities of relevant institutions and to ensure mandatory write-down of capital instruments at the point of non-viability of the relevant institution. There is still scope for changes to be made before any final legislation is adopted. On the basis of the current proposals, however, European Union member states will be expected to implement the CMD, including the proposals on capital write-down, on or before 1 January 2015, except for the proposals on bail-in, which European Union member states will have until 1 January 2018 to implement. The proposals on capital write-down and on bail-in are both expected to cover outstanding liabilities already in issue.

On 7 April 2010 the UK Building Societies (Financial Assistance) Order 2010 came into force in exercise of certain powers under the Banking Act for the purpose of modifying the application of the Act in specified circumstances to facilitate the provision to a building society of relevant financial assistance (including the giving of guarantees or indemnities or any other kind of financial assistance (actual or contingent)) by certain 'qualifying persons'. Qualifying institutions for this purpose include HM Treasury, the BoE, another central bank of a Member State of the European Economic Area, the European Central Bank, or any person acting for or on behalf of any such institution or providing financial assistance to a building society on the basis of financial assistance from such an institution. Most significantly, the UK Building Societies (Financial Assistance) Order 2010 would permit any qualifying institution to provide such assistance to the Issuer without it counting for the purpose of the 50 per cent. limit on its non-member funding. It would also permit

the Issuer to create a floating charge over its assets in favour of a qualifying institution in respect of that assistance.

The Government has announced a range of structural reforms to UK financial regulatory bodies to be implemented in early 2013, as follows:

- the FSA will cease to exist in its current form;
- a new Financial Policy Committee will be established in the BoE which will be responsible for macro-prudential regulation, or regulation of stability and resilience of the financial system as a whole;
- an independent subsidiary of the BoE, the Prudential Regulation Authority, will be established which will be responsible for micro-prudential regulation of financial institutions that manage significant risks on their balance sheets; and
- the Financial Conduct Authority will be established and will have the responsibility for conduct of business and markets regulation. The FCA will also represent the UK's interests in markets regulation at the new European Securities and Markets Authority.

In addition, UK banks and building societies became subject to a bank levy from 1 January 2011. The levy applies to UK banking groups, building societies and the operations of non-UK banks in the UK, but an allowance is given against the first £20 billion of relevant liabilities, meaning that smaller institutions will effectively be exempted from the levy charge. The scope of the excluded liabilities also includes Tier 1 capital, insured retail deposits and repos secured on sovereign debt. For further information, see "*Description of the Society – Bank Levy*" on page 79 of the Base Prospectus.

From 1 January 2011 an updated FSA remuneration code (the "**FSA Remuneration Code**") came into effect, which applies to the UK's largest banks and building societies (including the Issuer) and sets forth certain remuneration principles affecting fixed and variable remuneration of employees of covered institutions. Although the Issuer's management does not believe the FSA Remuneration Code has historically affected or presently affects its ability to recruit or retain personnel, there can be no assurance that the aforementioned restrictions will not adversely affect the Issuer's business, financial condition or results of operations.

In June 2010, the Government created the ICB to consider and to make recommendations on structural and related non-structural reforms to the UK banking sector to promote, among other things, financial stability and competition. The ICB released its Final Report to the Cabinet Committee on Banking Reform on 12 September 2011, which sets out the ICB's recommendations on reforms. These recommendations include (i) ring-fencing domestic retail banking services of UK banks and building societies, (ii) introducing a power for the UK authorities to bail in debt issued by UK banks and building societies, (iii) increasing UK banks' and building societies' loss-absorbing capacity (including by way of bail-in bonds), (iv) increasing the ranking of insured depositors on a winding up to rank ahead of all other unsecured creditors and (v) promoting competition in UK retail banking. The ICB indicated that the reforms will require an extended implementation period and recommended that implementation should be completed at the latest by 2019. If implemented, the ICB's recommendations would have an impact on the manner in which the Issuer conducts its business, may affect its ability to satisfy its obligations under the Notes and/or may result in modifications to the terms of the Notes, which may have certain tax implications.

HM Treasury published a white paper on 14 June 2012 ("Banking reform: delivering stability and supporting a sustainable economy") confirming its continuing support for the majority of the ICB proposals and its intention to bring forward legislation to effect the relevant changes before the end of this Parliament (2015). Broadly, the white paper covers the following areas: the ring-fencing of vital banking services from international and investment banking services; measures on loss absorbency and depositor preference; and

proposals for enhancing competition in the banking sector. A draft of the initial bill to implement the ICB recommendations was published on 12 October 2012, in the form of framework legislation to put in place the architecture to effect the reforms, with detailed policy being provided for through secondary legislation. Any future bail-in powers will be implemented in line with the draft EU Recovery and Resolution Directive published on 6 June 2012, as well as the minimum requirements to ensure loss absorbency at the point of non-viability published by the Basel Committee (see below). The Government has indicated that it intends to exclude building societies entirely from the enabling ring-fencing legislation, to avoid imposing disproportionately burdensome requirements upon the sector. The white paper notes, however, that some parallel changes will be made to the Act to implement bespoke ring-fencing requirements for building societies and that loss absorbency requirements are still likely to apply. The Government plans to introduce all necessary legislation as soon as Parliamentary time allows, and has confirmed its commitment to completing all primary and secondary legislation by the end of this Parliament in May 2015. Banks and building societies will be expected to comply with all of the measures proposed in the white paper by 2019, as the ICB recommended.

On 6 July 2012, HM Treasury published a discussion document entitled "The future of building societies" which sets out the Government's aim to maintain the distinctiveness of the building society sector while creating a level playing field and removing unnecessary barriers to growth. The Government stated that it intends to amend the Act to widen the opportunities for building societies and to align them with ring-fenced banks without compromising their mutuality. The Government stated that the loss absorbency proposals set out in the white paper of June 2012 on banking reform will apply to building societies as they apply for banks of a similar profile. As part of its commitment to foster diversity in the financial sector, the Government invited suggestions for reviewing those parts of the Act which restrict societies, where this is in accordance with maintaining their distinctiveness.

On 28 September 2011, the European Commission issued proposals, including a draft Directive, for implementing an EU wide financial transaction tax ("FTT"). The FTT would be a broad-based tax on "financial institutions" in relation to "financial transactions". It would apply from 1 January 2014 in circumstances where at least one party to a financial transaction is a financial institution established (or deemed established) in a member state.

It seems unlikely at this time that consensus can be reached in order to implement the FTT proposals across the entirety of the EU, which would require unanimity from member states, though it is possible that this may change in future. The proposals are currently being considered by the committees of the European Parliament and were discussed by the Council of Ministers at its meeting on 22 June 2012, where a significant number of EU Finance Ministers continued to express opposition. Following the meeting, however, Finance Ministers from the member states that endorsed the proposal raised the idea of adopting a side agreement within the EU, imposing an FTT in their states alone. Even if an FTT were introduced only in some member states, it could impact financial institutions operating in the UK.

Currently it is not possible to predict how and the extent to which the other foregoing recently announced changes will impact on the Issuer's operations, business results, financial condition or prospects. Accordingly, there can be no assurance that any changes to the existing regulatory regime arising from the implementation of any of the foregoing matters or any other regulatory changes that may be proposed will not have a material adverse effect on its operations, business, results, financial condition or prospects.

#### ***The Issuer is subject to capital requirements that could have an impact on its operations***

The Issuer is subject to capital adequacy requirements adopted by the FSA for a building society. Its capital is reported as a ratio of total capital to risk-adjusted assets expressed as a percentage. If the Issuer fails to meet its minimum regulatory requirements, this may result in administrative actions or sanctions against the Issuer, which may impact its ability to fulfil its obligations under the Notes.

The current risk-adjusted capital guidelines (the "**Basel Accord**") promulgated by the Basel Committee on Banking Supervision, which form the basis for the EU's and thus the FSA's capital adequacy requirements, include the application of risk-weighting (depending upon the credit status of certain customers, using an "internal ratings-based" approach to credit risk, and subject to approval of supervisory authorities). The requirements also include allocation of risk capital in relation to operational risk and supervisory review of the process of evaluating risk measurement and capital ratios.

On 16 December 2010 and on 13 January 2011, with a minor revision on 1 June 2011, the Basel Committee issued its final guidance on a number of fundamental reforms to the regulatory capital framework (such reforms being commonly referred to as "**Basel III**"), including new capital requirements, higher capital ratios, more stringent eligibility requirements for capital instruments, leverage ratio and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for financial institutions, including building societies. The guidance also proposes (by way of the 13 January 2011 press release) minimum requirements that all capital instruments issued after 1 January 2013 either under their terms or pursuant to appropriate laws be written down or converted into common equity (at the option of the relevant regulatory authority) upon the occurrence of certain "non-viability" trigger events.

Detailed proposals for the reform package as it will be implemented in the European Economic Area are outlined in the European Commission's proposal, published on 20 July 2011, for a regulation to establish a single set of harmonised prudential rules which will apply directly to all credit institutions in the EU, and an associated capital requirements directive containing related, more high-level provisions, which will need to be transposed into national law (commonly referred to collectively as "**CRD IV**"). The CRD IV proposals are currently being debated by the European Parliament and Council. The proposal for a regulation gives express recognition for Common Equity Tier 1 capital instruments for mutuals, co-operatives and similar institutions and permits the use of a cap or restriction on the maximum level of distributions on such instruments provided such cap or restriction is set out under applicable national law or the constitution of the institution. Implementation of CRD IV was originally intended by the European authorities to begin from 1 January 2013 (consistent with the Basel III implementation timetable), but has been delayed until at least later in 2013 whilst the European authorities continue to settle the texts of CRD IV. Otherwise, the timetable for implementation of CRD IV is anticipated to be broadly in line with Basel III, with full implementation by January 2019, but the proposals allow individual member states to implement the stricter requirements of contributing instruments and/or level of capital more quickly than is envisaged under Basel III. It is intended that the Basel Committee recommendation on loss absorbency of capital instruments at the point of non-viability will be implemented separately through the CMD and would be intended to come into force with effect from 1 January 2015. It remains unclear from the draft provisions in this area exactly how these requirements would be expected to operate under national implementing law and, in particular, whether they would apply retrospectively to capital instruments already in issue from 1 January 2013 (consistent with the Basel Committee recommendation).

The ICB's recommendations on reforms also leave open the possibility of capital and leverage requirements in excess of the minimum requirements prescribed by Basel III and/or CRD IV. The ICB recommendations and the UK Government's response supporting such recommendations include proposals to increase capital and loss absorbency to levels that exceed the proposals under Basel III. These requirements, as well as the other recommendations of the ICB, are expected to be phased in between 2015 and 2019. As the implementation of the ICB recommendations will be the subject of legislation not yet adopted, the Issuer cannot predict the impact such rules will have on the Issuer's overall capital requirements or how they will affect the Issuer's compliance with capital and loss absorbency requirements of Basel III.

The introduction of the new rules and proposals will present a number of challenges to the Issuer in reviewing its existing capital and liquidity arrangements and could have an impact on the Issuer's capital and liquidity calculations and funding requirements or otherwise adversely affect the Issuer's business or profitability.

### ***Foreign Account Tax Compliance withholding may affect payments on the Notes***

Sections 1471 through 1474 of the U.S. Internal Revenue Code ("FATCA") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to any non-U.S. financial institution (a **"foreign financial institution"**, or **"FFI"** (as defined by FATCA)) that does not become a **"Participating FFI"** by entering into an agreement with the U.S. Internal Revenue Service (**"IRS"**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA. The Issuer is classified as an FFI.

The new withholding regime will be phased in beginning 1 January 2014 for payments from sources within the United States and will apply to **"foreign passthru payments"** (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply if (i) the Notes are characterised as debt (or are not otherwise characterised as equity) for U.S. federal tax purposes and are materially modified on or after the later of (a) 1 January 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register or (ii) the Notes are characterised as equity for U.S. federal tax purposes.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **"IGA"**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **"Reporting FI"** not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **"FATCA Withholding"**) from payments it makes. Under each IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the United Kingdom have entered into an agreement (the **"US-UK IGA"**) based largely on the Model 1 IGA.

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

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

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form.**

### ***Financial Services Compensation Scheme***

The FSMA established the Financial Services Compensation Scheme (the **"FSCS"**), which pays compensation to eligible customers of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them. For further information, please refer to the section entitled *"Description of the Society—Financial Services Compensation Scheme"* on page 78 of the Base Prospectus. Based on its share of protected deposits, the Group pays levies to the FSCS to enable the scheme to meet claims against it. While it is anticipated that the substantial majority of claims will be repaid wholly from recoveries from the institutions concerned, there is the risk of a shortfall, such that the FSCS may place

additional levies on all FSCS participants, which levies may be in significant amounts that may have a material impact on the Group's profits. In particular, following agreement between the FSCS and HM Treasury on the terms of a refinancing in March 2012, it is anticipated that the total increase to the FSCS levy will be approximately 41 per cent., which will be passed on across all firms holding protected deposits, including the Group. In addition, there can be no assurance that there will be no further actions taken under the Banking Act that may lead to further claims against the FSCS and concomitant increased FSCS levies payable by the Issuer. Any such increases in the Issuer's costs and liabilities related to the levy may have a material adverse effect on its results of operations. Further costs and risks to the Group may also arise from discussions at national and European Union levels around the future design of financial services compensation schemes, including increasing the scope and level of protection and moving to pre-funding of compensation schemes. The amount provided for in the Group's accounts to meet its obligations to the FSCS was an estimated £58 million as at 30 September 2012 (£111 million as at 4 April 2012). At current rates and based on the latest information, which is subject to change, the Issuer's share of the expected shortfall would total approximately £100 million which, in line with the intentions of the FSCS on timing of resultant levies, the Issuer would expect to be recognised over three years beginning in the year ending 4 April 2013. The Issuer estimates that a further provision of between £70 million and £80 million will be required during the second half of the financial year 2012/2013 in respect of the FSCS annual levy for the 2013/14 scheme year including the first amount of the £100 million expected shortfall described above.

On 25 July 2012 the FSA published a consultation paper, the FSCS Funding Model Review ("**FFMR**"), on changes to how the Financial Services Compensation Scheme is funded. The consultation closed on 25 October 2012. The FFMR will concentrate on issues such as the composition of the funding classes, the levy thresholds applicable to each and their tariff bases.

As a result of the structural reorganisation and reform of the UK financial regulatory authorities, it is proposed that the FSCS will become the joint responsibility of the PRA and the FCA. It is possible that future policy of the FSCS and future levies on the Group may differ from those at present, and such reforms could lead the Group to incur additional costs and liabilities, which may adversely affect the Group's business, financial condition and/or results of operations.

***Future legislative and regulatory changes could force the Group to comply with certain operational restrictions, take steps to raise further capital, and/or increase the Group's expenses and/or otherwise adversely affect the Issuer's business results, financial condition or prospects***

Regulators and other bodies in the UK and world-wide have produced a range of proposals for future legislative and regulatory changes which could force the Group to comply with certain operational restrictions, take steps to raise further capital, and/or increase the Group's expenses and/or otherwise adversely affect the Issuer's business results, financial condition or prospects. These include, amongst others:

- the introduction of recovery and resolution planning requirements for banks, building societies and other financial institutions as contingency planning for the failure of a financial institution that may affect the stability of the financial system;
- the implementation of the UK Financial Services Act 2012, which enhances the FSA's (and, from April 2013, the PRA's and the FCA's) disciplinary and enforcement powers;
- the introduction of more regular and detailed reporting obligations;
- a move to pre-funding of the deposit protection scheme in the UK; and
- a proposal to require large UK retail banks and building societies to hold a minimum Core Tier 1 to risk-weighted assets ratio of at least 10 per cent. which is, broadly, 3 per cent. higher than the minimum capital levels under Basel III.

At this point it is impossible to predict the effect that any of the proposed or recently enacted changes will have on the Group's operations, business and prospects or how any of the proposals discussed above will be affected and implemented in light of the fundamental changes to the regulatory environment proposed by the coalition government. Depending on the specific nature of the requirements and how they are enforced, such changes could have a significant impact on the Group's operations, structure, costs, and/or capital requirements.

Accordingly, there can be no assurance that the implementation of any of the foregoing matters or any other regulatory or legislative changes that may be proposed will not have a material adverse effect on its operations, business, results, financial condition or prospects.

The Issuer is also investing significantly to ensure that it will be able to comply with developing regulatory requirements. If the Issuer is unsuccessful in efficiently adopting the requisite new compliance practices, this will adversely impact its ability to operate in the financial services markets and to deliver an appropriate level of operational and financial performance.

***Demutualisation, mutual society transfers and consequences of the Act may have an adverse impact on the holders of the Notes***

Subject to confirmation by the FSA, the Issuer's members and its directors determine whether it remains a building society or if it demutualises (save in circumstances where the FSA makes a direction under Section 42B of the Act or a UK authority makes an instrument or order under the Banking Act which results in a demutualisation taking place).

The Act includes provisions under which a building society may demutualise by transferring the whole of its business to a company. In addition, the Act (as modified by the Mutual Societies (Transfers) Order 2009 (the "**Mutual Transfers Order**") made under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007 (the "**Funding and Mutual Societies Transfers Act**")) includes provisions under which a building society may transfer the whole of its business to the subsidiary of another mutual society (as defined in section 3 of the Funding and Mutual Societies Transfers Act). At present, the claims of the Issuer's depositors and other unsubordinated creditors would rank ahead of share accounts (which term excludes any deferred shares) and the Issuer's members' rights to any surplus in the event of its liquidation, and the claims of its subordinated creditors would rank behind share accounts but ahead of members' rights to any surplus in the event of its liquidation. If, however, the Issuer transfers its business to a specially formed company or an existing company (as defined in the Act) or to a subsidiary of another mutual society, all of its liabilities which immediately prior thereto were classified as share accounts will thereafter rank at least *pari passu* with all other unsecured and unsubordinated liabilities of its successor.

Under section 90B of the Act (which was inserted by the Funding and Mutual Societies Transfers Act), HM Treasury may, by order, make provision for the purpose of ensuring that, on the winding up, or dissolution by consent, of a building society, any assets available for satisfying the society's liabilities to creditors (other than liabilities in respect of subordinated deposits, liabilities in respect of preferential debts, or any other category of liability which HM Treasury specifies in the order for these purposes) or to shareholders (other than liabilities in respect of deferred shares) are applied in satisfying those liabilities *pari passu*. The power to make an order under section 90B of the Act is exercisable by statutory instrument but may not be made unless a draft of it has been laid before and approved by a resolution of each House of Parliament. No such order has been made as of the date of this Drawdown Prospectus.

On a winding-up or dissolution of the Issuer, claims in respect of the Notes would rank behind the claims of all depositors, investment creditors and other unsubordinated creditors of the Issuer, and *pari passu* with claims in respect of dated subordinated obligations of the Issuer and any other claims which rank or are expressed to rank *pari passu* with the claims in respect of the Notes.



At the Society's annual general meeting in 1998, its members voted against a proposal to demutualise and no subsequent motion to demutualise has since been proposed at a general meeting of the Society. However, it is possible that another motion to demutualise could be proposed and voted upon at a future general meeting. The Society is committed to remaining a building society because it believes that this is in the best long-term interests of its current and future members.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Drawdown Prospectus and have been approved by the Financial Services Authority or filed with it shall be incorporated in, and form part of, this Drawdown Prospectus:

1. the Base Prospectus dated 2 October 2012 relating to the Programme (the "**Base Prospectus**"), other than the sections therein entitled "*Overview of the Programme*", "*Risk Factors*" and "*Terms and Conditions of the Notes*" which are not incorporated by reference herein;
2. the Supplement dated 27 November 2012 (the "**Supplement**") to the Base Prospectus;
3. the auditors' report and audited consolidated annual financial statements of the Issuer for the year ended 4 April 2011 (contained on pages 84 to 163 (inclusive) of the Issuer's 2011 Annual Report and Accounts);
4. the auditors' report and audited consolidated annual financial statements of the Issuer for the year ended 4 April 2012 (contained on pages 80 to 163 (inclusive) of the Issuer's 2012 Annual Report and Accounts); and
5. the Interim Results of the Issuer for the period ended 30 September 2012.

Any statement contained or incorporated by reference in the Base Prospectus or the Supplement shall be deemed to be modified or superseded for the purpose of this Drawdown Prospectus to the extent that a statement contained or incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Drawdown Prospectus.

Except to the extent expressly stated above, any documents incorporated by reference in the Base Prospectus or the Supplement shall not constitute part of this Drawdown Prospectus. Any part of a document referred to herein that is not incorporated by reference is either deemed not relevant for an investor or is otherwise covered elsewhere in this Drawdown Prospectus.

This Drawdown Prospectus must be read in conjunction with the Base Prospectus and the Supplement and full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the provisions set out within this document, the Base Prospectus and the Supplement.

See "*General Information – Documents available*" in this Drawdown Prospectus in respect of where copies of documents incorporated by reference are available for inspection.

This Drawdown Prospectus and certain of the documents incorporated by reference herein contain references to certain websites. No such website, nor any information contained on any such website, is incorporated by reference in this Drawdown Prospectus, and such websites and information do not form part of this Drawdown Prospectus.

## **TERMS AND CONDITIONS OF THE NOTES**

The terms and conditions of the Notes contained in the Base Prospectus shall not apply to the Notes. The terms and conditions of the Notes shall consist of the following Final Terms and the Annex thereto. References in the Base Prospectus to "**Final Terms**" shall be deemed to refer to the Final Terms set out below.

## **FINAL TERMS OF THE NOTES**

**Nationwide Building Society**  
**€1,250,000,000 4.125 per cent. Fixed Rate Reset Callable Subordinated Notes due 2023 (the "Notes")**  
**issued pursuant to its U.S.\$25,000,000,000 European Note Programme**

### **PART A – CONTRACTUAL TERMS**

Terms used but not defined in this Part A shall bear the respective meanings ascribed thereto in the Annex hereto. The form of terms and conditions contained in the base prospectus dated 2 October 2012 shall not apply to the Notes and instead the provisions of these Final Terms (including the Annex hereto) shall apply to the Notes.

#### **TYPE OF NOTE**

- |    |                                |   |
|----|--------------------------------|---|
| 1. | Deposit/Ordinary/Subordinated: | Subordinated  |
| 2. | Interest Basis:                | Fixed Rate Reset Notes – see Condition 4 of the Annex |

#### **DESCRIPTION OF THE NOTES**

- |    |   |  |
|----|---|--|
| 3. | New Global Note:  | No   |
| 4. | Form of Notes:  | Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event  |
| 5. | (a) Series Number:  | 442  |
|    | (b) Tranche Number:   | 1  |
|    | (c) Date on which the Notes will be consolidated and form a single Series:      | Not Applicable   |
| 6. | (a) Nominal Amount of Notes to be issued:                                       | €1,250,000,000   |
|    | (b) Aggregate nominal amount of Series (if more than one issue for the Series): | Not Applicable   |
|    | (c) Specified Currency:   | euro ("€")   |
|    | (d) Specified Denomination(s):  | €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 (in the case of definitive Notes each with Coupons attached on issue). No definitive Notes will be issued with a denomination above €199,000. |
|    | (e) Calculation Amount:   | €1,000   |

- |     |   |                  |
|-----|---|------------------|
| 7.  | Issue Price:  | 99.566 per cent. |
| 8.  | Issue Date:   | 20 March 2013    |
| 9.  | Interest Commencement Date:                                       | Issue Date       |
| 10. | Automatic/optional conversion from one Interest Basis to another: | Not Applicable   |
| 11. | Additional Financial Centre(s)                                    | Not Applicable   |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

<b>Fixed Rate Note Provisions</b>	Applicable – see Condition 4 of the Annex
-----------------------------------	---

<b>Zero Coupon Note Provisions</b>	Not Applicable
------------------------------------	----------------

<b>Floating Rate Note Provisions</b>	Not Applicable
--------------------------------------	----------------

## PROVISIONS REGARDING REDEMPTION/MATURITY

- |     |   |  |
|-----|---|--|
| 12. | Maturity Date:  | 20 March 2023  |
| 13. | Redemption at Issuer's option:  | Applicable – see Conditions 5(c), (d) and (e) of the Annex |
| 14. | Redemption at Noteholder's option:  | Not Applicable   |
| 15. | Final Redemption Amount:  | Par – see Condition 5(a) of the Annex                      |
| 16. | Redemption Amount payable on redemption for taxation reasons or on an Event of Default: | Par - see Conditions 5(d) and 7 of the Annex               |

## GENERAL PROVISIONS APPLICABLE TO THIS ISSUE OF NOTES

17. U.S. Selling Restrictions: Reg S Compliance Category 2; TEFRA D

Signed on behalf of **NATIONWIDE BUILDING SOCIETY**

By: .....  
*Duly Authorised*

By: .....  
*Duly Authorised*

## **PART B – OTHER INFORMATION**

### **1. LISTING AND ADMISSION TO TRADING**

- (a) Listing and Admission to trading: Application has been made by or on behalf of the Issuer for the Notes to be admitted to listing on the Official List of the UK Listing Authority and to trading on the regulated market of the London Stock Exchange with effect from the Issue Date.
- (b) Estimated of total expenses related to admission to trading: £2,975

### **2. RATINGS**

Ratings: The Notes to be issued have been rated:

S&P:	BBB+
Moody's:	Baa1
Fitch:	A

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

See the section of the Drawdown Prospectus entitled "Subscription and Sale".

### **4. YIELD**

Indication of yield: 4.223 per cent. for the period from (and including) the Issue Date to (but excluding) the Optional Call Date. The yield is calculated on the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### **5. OPERATIONAL INFORMATION**

- (a) ISIN Code: XS0906394043
- (b) Common Code: 090639404
- (c) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): Not Applicable
- (d) Names and addresses of initial Paying Agent(s) (if any): See the second paragraph of the preamble of the Annex
- (e) Names and addresses of additional Paying Agent(s) (if any): Not Applicable

## ANNEX – TERMS AND CONDITIONS OF THE NOTES

*The following (excluding italicised paragraphs) is the text of the Conditions that, together with and subject to completion by the provisions of Part A of the Final Terms of the Notes, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Permanent Global Note. Terms used but not defined in this Annex shall bear the meaning ascribed thereto in Part A of the Final Terms of the Notes. The full text of these terms and conditions, together with the provisions of Part A of the Final Terms of the Notes, shall be endorsed on such definitive Notes. For the avoidance of doubt, the form of terms and conditions contained in the base prospectus dated 2 October 2012 is not applicable to the Notes.*

This Note is one of a series of €1,250,000,000 4.125 per cent. Fixed Rate Reset Callable Subordinated Notes due 2023 (the notes of such series being hereinafter called the "**Notes**", which expression shall, unless the context otherwise requires, include any further instruments issued pursuant to Condition 14 and forming a single series with the Notes) constituted by a Trust Deed dated 17 April 1991 (such Trust Deed as modified and/or supplemented and/or restated as at the Issue Date, the "**Trust Deed**") made between Nationwide Building Society (the "**Issuer**") and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include any successor as trustee).

The Notes are issued with the benefit of an Amended and Restated Agency Agreement dated 2 October 2012 (such Agency Agreement as amended and/or supplemented and/or restated as at the Issue Date, the "**Agency Agreement**") made between the Issuer, Citibank, N.A., London Office, as issuing agent, principal paying agent and agent bank (the "**Agent**", which expression shall include any successor as agent), the other paying agents named therein (together with the Agent, the Paying Agents, which expression shall include any additional or successor paying agents) and the Trustee.

Definitive Notes will have interest coupons ("**Coupons**") attached on issue.

The Trustee acts for the benefit of the holders of the Notes (the "**Noteholders**", which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the "**Couponholders**"), all in accordance with the provisions of the Trust Deed.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the Issue Date at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of each of the Agent and the other Paying Agents. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the Final Terms, which are binding on them. Words and expressions defined in the Trust Deed or the Agency Agreement or used in these Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of inconsistency between the Agency Agreement or the Trust Deed and these Final Terms, these Final Terms will prevail.

### 1. **Form, Denomination and Title**

#### (a) ***Form and Denomination***

The Notes are serially numbered and in bearer form in specified denominations ("**Specified Denominations**") of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 (in the case of definitive Notes each with Coupons attached on issue). No definitive Notes will be issued with a denomination above €199,000.

#### (b) ***Title***

Title to the Notes and Coupons passes by delivery. The holder of any Note or Coupon will (except as otherwise required by law) 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 it, or its theft or loss) and no person will be liable for so treating the holder.

For so long as any of the Notes are represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Trustee and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note, and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

## **2. Status**

The Notes and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders and the Couponholders are subordinated as described in Condition 3(a).

*Regard should be had to statutory loss absorption as more fully described in the risk factors entitled "The Notes may become subject to provisions requiring capital instruments to be written-down or converted to common equity tier 1 capital instruments at the point of non-viability of the Issuer under proposals intended to implement capital requirements forming part of the Basel III framework", "Risks associated with governmental authorities and monetary policies of the UK and changes thereto may adversely affect the Issuer's business" and "The Issuer is subject to capital requirements that could have an impact on its operations" in the Drawdown Prospectus relating to the Notes.*

## **3. Subordination**

### **(a) Winding-up**

The Notes and Coupons are direct and unsecured obligations of the Issuer and rank without any preference among themselves, and the claims of the holders of the Notes (and Coupons) in respect of principal and interest will, in the event of the winding up of the Issuer, rank (i) subordinated in the manner provided in the Trust Deed to the claims of depositors, investment creditors and other unsubordinated creditors of the Issuer in respect of their respective senior claims, (ii) *pari passu* among themselves and with claims in respect of Parity Obligations and (iii) senior to the claims of holders of Junior Obligations.

### **(b) Set-off**

Subject to applicable law, no holder of Notes or Coupons 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 or any relative Coupons and each Noteholder and Couponholder shall, by virtue of being the holder of any such Note or Coupon (as the case may be) be deemed to have



waived all such rights of set-off, compensation or retention. Notwithstanding the provision of the foregoing sentence, if any of the said rights and claims of any Noteholder or Couponholder against the Issuer is discharged by set-off, such Noteholder or Couponholder will immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of winding up of the Issuer, to the liquidator of the Issuer and accordingly such discharge will be deemed not to have taken place.

#### **4. Interest Payments**

##### **(a) *Rate of Interest***

The Notes bear interest on their nominal amount at the applicable Rate of Interest from (and including) the Issue Date in accordance with the provisions of this Condition 4.

Interest shall be payable on the Notes annually in arrear on each Interest Payment Date, in each case as provided in this Condition 4.

Where it is necessary to compute an amount of interest in respect of any Note for a period which is less than a complete year, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next (or first) scheduled Interest Payment Date.

Where it is necessary to calculate an amount of interest in respect of any Note for a period which is more than one year, such interest shall be the aggregate of the interest payable in respect of a full year plus the interest payable in respect of the remaining period calculated in the manner as aforesaid.

##### **(b) *Interest Accrual***

The Notes will cease to bear interest from (and including) the date of redemption thereof pursuant to Condition 5(a), (c), (d) or (e), as the case may be, unless, upon due presentation, payment and performance of all amounts and obligations due in respect of the Notes is not properly and duly made, in which event interest shall continue to accrue on the Notes, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Interest in respect of any Note shall be calculated in respect of any period by applying the applicable Rate of Interest to:

- (i) in the case of Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (ii) in the case of Notes in definitive form, the Calculation Amount,

and, in either case, multiplying the resulting figure by the day-count fraction as described in Condition 4(a) for the relevant period and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

Where the denomination of a Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the relevant denomination, without any further rounding.

(c) ***First Fixed Rate of Interest***

For each Interest Period which commences prior to the Optional Call Date, the Rate of Interest shall be 4.125 per cent. per annum.

(d) ***Subsequent Fixed Rate of Interest***

For each Interest Period which commences on or after the Optional Call Date, the Notes bear interest at the Subsequent Fixed Rate of Interest. The Subsequent Fixed Rate of Interest shall be determined by the Agent as the 5 year Swap Rate plus 3.300 per cent., where:

**"5 year Swap Rate"** means the annual mid-swap rate as displayed on Reuters screen "ISDAFIX2" as at 11:00 a.m. (Central European time) (the **"Reset Screen Page"**) on the Interest Determination Date. In the event that the 5 year Swap Rate does not appear on the Reset Screen Page on the Interest Determination Date, the 5 year Swap Rate will be the Reset Reference Bank Rate.

**"Reset Reference Bank Rate"** means the percentage rate determined on the basis of the 5 year Swap Rate Quotations provided by five leading swap dealers in the interbank market (the **"Reset Reference Banks"**) to the Agent at approximately 11:00 a.m. (Central European time) on the Interest Determination Date. If at least three quotations are provided, the 5 year Swap Rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest); and

**"5 year Swap Rate Quotations"** means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap which (i) has a term of 5 years commencing on the Interest Determination Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis).

If the 5 year Swap Rate does not appear on the Reset Screen Page on the Interest Determination Date and less than three 5 year Swap Rate Quotations are provided by the Reset Reference Banks, the Subsequent Fixed Rate of Interest will be 4.125 per cent. per annum.

(e) ***Determination of Subsequent Fixed Rate of Interest***

The Agent will, as soon as practicable after 11.00 a.m. (Brussels time) on the Interest Determination Date, determine the Subsequent Fixed Rate of Interest and shall promptly notify the Issuer thereof.

(f) ***Publication of Subsequent Fixed Rate of Interest***

The Issuer shall cause notice of the Subsequent Fixed Rate of Interest and the amount of interest which will be payable per Calculation Amount on each Interest Payment Date in respect of which the Subsequent Fixed Rate of Interest applies (the **"Interest Amount"**) to be given to the Noteholders in accordance with Condition 13 as soon as reasonably practicable after the Interest Determination Date and in any event no later than the fourth Business Day thereafter. Such determination of the Subsequent Fixed Rate of Interest shall (in the absence of manifest error) be binding on the Trustee and the Noteholders.

(g) ***Determination or Calculation by Trustee***

If the Agent does not for any reason so determine the Subsequent Fixed Rate of Interest or calculate the Interest Amount, the Trustee (or an expert appointed by the Trustee at the expense of the Issuer) shall do so and such determination or calculation shall be deemed to have been made by the Agent. In doing so, the Trustee (or the expert) shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(h) ***Determinations of Agent or Trustee binding***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4, whether by the Agent or the Trustee (or the expert appointed by it), shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Trustee, the Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Noteholders, the Couponholders or the Issuer shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by them of any of their powers, duties and discretions.

**5. Redemption and Purchase**

(a) ***Maturity***

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed on the Maturity Date at their principal amount together with any accrued but unpaid interest up to (but excluding) the Maturity Date.

(b) ***Conditions to Early Redemption and Purchase***

Any redemption or purchase of the Notes in accordance with Conditions 5(c), (d), (e) or (f) is subject to the Issuer giving at least one month's prior written notice to, and receiving no objection from or, in the case of any redemption of the Notes prior to the Optional Call Date, receiving the consent or, as applicable, waiver of, the Supervisory Authority (or such other period of notice as the Supervisory Authority may from time to time require or accept and, in any event, provided that any such notice is required to be given).

Any redemption or purchase of the Notes in accordance with Conditions 5(c), (d), (e) or (f) is also subject to:

- (i) the Issuer having demonstrated to the satisfaction of the Supervisory Authority that it is and, immediately following the redemption or purchase, shall be in compliance with the Minimum Capital Requirements or it has satisfied such other redemption requirements as may be required by applicable Regulations from time to time;
- (ii) only in the case of a redemption occurring in respect of a Tax Event or a Regulatory Event, the circumstances giving rise to the redemption being such that the Supervisory Authority is satisfied that the circumstances were not reasonably foreseeable at the Issue Date and, in the case of a Tax Event only, the relevant changes in the tax treatment are also material; and
- (iii) only in the case of a redemption occurring in respect of a Tax Event, the Issuer having made available to the Noteholders and the Trustee a copy of an opinion of an independent nationally recognised law firm or other tax adviser in the United Kingdom experienced in such matters that a Tax Event has occurred and is continuing.

Prior to the publication of any notice of early redemption pursuant to this Condition 5 (other than redemption pursuant to Condition 5(c)), the Issuer shall deliver to the Trustee a certificate signed by any two directors of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied. The Trustee shall be entitled, without liability to any person, to accept such certificate (together with any accompanying opinion as referred to in Condition 5(b)(iii)) without any further inquiry as sufficient evidence of the satisfaction of the relevant conditions precedent, in which event it shall be conclusive and binding on the Trustee and the Noteholders.

(c) ***Issuer's Call Option***

Subject to Condition 5(b), the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable) elect to redeem all, but not some only, of the Notes on the Optional Call Date at their principal amount together with any accrued but unpaid interest to (but excluding) the redemption date. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(d) ***Redemption due to Taxation***

If, immediately prior to the giving of the notice referred to below, a Tax Event has occurred and is continuing, then the Issuer may, subject to Condition 5(b) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any accrued but unpaid interest to (but excluding) the redemption date. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(e) ***Redemption for Regulatory Purposes***

If a Regulatory Event has occurred and is continuing, then the Issuer may, subject to Condition 5(b) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount together with any accrued but unpaid interest to (but excluding) the redemption date. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(f) ***Purchases***

The Issuer and any of its Subsidiaries may, subject to Condition 5(b), at any time purchase or procure others to purchase beneficially for its account Notes in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons appertaining thereto. All Notes so purchased by or on behalf of the Issuer or any of its Subsidiaries may be held, reissued, resold or, at the option of the Issuer, surrendered for cancellation (together with all unmatured Coupons) to the Agent.

(g) ***Cancellation***

All Notes redeemed by the Issuer pursuant to this Condition 5 (together with all unmatured Coupons relating thereto) and all Notes purchased pursuant to Condition 5(f) and surrendered for cancellation, shall be cancelled forthwith (together with all unmatured Coupons). Any Notes so cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(h) ***Trustee Not Obligated to Monitor***

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 5 and will not be responsible to Noteholders for any loss arising from any failure by it to do so. Unless and until the Trustee has express notice in writing of the occurrence of any event or circumstance within this Condition 5, it shall be entitled to assume that no such event or circumstance exists.

## **6. Payments**

### **(a) *Method of Payment***

- (i) Payments of principal and interest will be made in euro against presentation and surrender of definitive Notes or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the relevant Notes. Such payments will be made, at the option of the payee, by euro cheque drawn on, or by transfer to a euro account maintained by the payee with, a bank in a city in which banks have access to the TARGET 2 System.

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

The holder of the relevant Global Note (or, as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of the relevant Global Note (or the Trustee, as the case may be). No person other than the holder of the relevant Global Note (or, as provided in the Trust Deed, the Trustee) shall have any claim against the Issuer in respect of any payments due on that Global Note.

- (ii) Upon the due date for redemption of any Notes, any unmatured Coupons relating to such Notes (whether or not attached) shall become void and no payment shall be made in respect of them. If any Note is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

### **(b) *Payments Subject to Fiscal and Other Laws***

Payments will be subject in all cases, to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 8, in the place of payment, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the

implementation thereof (or any law implementing such an intergovernmental agreement). Any such amounts withheld or deducted will be treated as paid for all purposes under the Notes, and no additional amounts will be paid on the Notes with respect to any such withholding or deduction.

No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(c) ***Payments on business days***

A Note or Coupon may only be presented for payment on a day which is (i) a business day in the place of presentation and (ii) in the case of a payment by transfer to a euro account, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System (the "**TARGET 2 System**") is open. No further interest or other payment will be made as a consequence of the day on which the relevant Note or Coupon may be presented for payment under this paragraph falling after the due date. In this Condition, "**business day**" means a day on which commercial banks and foreign exchange markets are open in the relevant city.

**7. Default and Enforcement**

*The Trust Deed contains provisions entitling the Trustee to claim from the Issuer, inter alia, the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The restrictions on commencing proceedings described below will not apply to any such claim.*

(a) ***Proceedings for Winding-up***

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter of the nominal amount of Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall, subject to being indemnified to its satisfaction, give notice to the Issuer that the Notes are, and they shall accordingly immediately become, due and repayable at their nominal amount together with any accrued but unpaid interest:

- (i) if default is made for a period of 14 days or more in the payment of any interest due on the Notes or any of them; or
- (ii) if, otherwise than by virtue of Section 93(5), Section 94(10), Section 97(9) or Section 97(10) of the Act, the Issuer is dissolved by consent of its members, a special resolution of the members is passed that the Issuer be wound up voluntarily or a petition that the Issuer be wound up by the Court is granted,

(each an "**Event of Default**"). If the Notes become due and repayable (whether pursuant to Condition 5, this Condition 7 or otherwise), the Trustee may at its discretion institute proceedings for the winding up of the Issuer in England (but not elsewhere) to enforce the obligations of the Issuer in respect of the Notes and the Trust Deed in so far as it relates to the Notes and/or prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer for such payment, but may take no other action to enforce payment of any amount of principal or interest or any other amounts (including any damages awarded for breach of these Conditions) in respect of the Notes, and accordingly the Issuer shall not be obliged to pay any such amounts before such time as the same would otherwise have become due for payment, nor will the Trustee accept the same, otherwise than during or after a winding up or dissolution of the Issuer.

(b) ***Enforcement***

Without prejudice to Condition 7(a), the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Notes or the Coupons (other than any payment obligation of the Issuer under or arising from the Notes, the Coupons or the Trust Deed, including, without limitation, payment of any principal or interest, 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 7(b) shall, however, 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.

(c) ***Entitlement of Trustee***

The Trustee shall not be bound to take any of the actions referred to in Condition 7(a) or (b) above against the Issuer to enforce the terms of the Trust Deed, the Notes or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the Noteholders or 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 to its satisfaction.

(d) ***Right of Noteholders***

No Noteholder or Couponholder 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 liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 7.

(e) ***Extent of Noteholders' remedy***

No remedy against the Issuer, other than as referred to in this Condition 7, shall be available to the Trustee or the Noteholders or Couponholders, 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, Coupons or under the Trust Deed.

## **8. Taxation**

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

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

References in these Conditions to principal, interest and/or any other amount in respect of interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## **9. Prescription**

Claims for payment of principal in respect of the Notes shall become void upon the expiry of ten years, and claims for payment of interest (if any) in respect of the Notes shall become void upon the expiry of five years, in each case from the Relevant Date therefor, subject to the provisions of Condition 6.

## **10. Meetings of Noteholders, Modification and Waiver**

The Trust Deed contains provisions for convening meetings of Noteholders (or, as the case may be, the holders of Notes of more than one Series) to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Terms and Conditions or the provisions of the Trust Deed.

The quorum at any such meeting to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority of the nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes for the time being outstanding so held or represented, except that at any meeting, the business of which includes the modification of certain of these Conditions or provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the nominal amount of the Notes for the time being outstanding.

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



The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification (subject to certain exceptions) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or to any modification which is of a formal, minor or technical nature or which is made to correct a manifest error. Any such modification, waiver or authorisation shall be binding on the Noteholders and Couponholders and, unless otherwise agreed by the Trustee, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

In connection with the exercise by it of any of its trusts, powers or discretions (including, without limitation, any modification, waiver or authorisation), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

#### **11. Replacement of the Notes and Coupons**

If a Note or Coupon is mutilated, defaced, destroyed, stolen or lost it may be replaced at the specified office of the Agent in London, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 13, on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

#### **12. Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer or any Subsidiary of the Issuer without accounting for any profit resulting therefrom.

#### **13. Notices**

All notices regarding the Notes will be valid if published in the Financial Times or any other daily newspaper in London approved by the Trustee. The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system on which the Notes have then been admitted to listing, trading, and/or quotation. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication in all the required newspapers. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

Until such time as any definitive Notes are issued, there may, so long as any Global Note is held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication as aforesaid the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Noteholders. Any such notice shall be deemed to

have been given to the Noteholders on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg, as appropriate.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any Noteholder to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

#### **14. Further Issues**

The Issuer is at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes ranking equally in all respects (or in all respects save for the date for and the amount of the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding Notes.

#### **15. Agents**

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out in the Trust Deed. In the event of the appointed office of any such bank being unable or unwilling to continue to act as the Agent, or failing duly to determine the Subsequent Rate of Interest or to calculate the Interest Amount, the Issuer shall appoint the London office of such other bank as may be approved by the Trustee to act as such in its place. The Agent may not resign its duties or be removed from office without a successor having been appointed as aforesaid. The Issuer may, with the prior approval of the Trustee, vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts provided that the Issuer will, so long as any of the Notes is outstanding, maintain (a) a Paying Agent (which may be the Agent) having a specified office in a city approved by the Trustee in continental Europe, (b) so long as any of the Notes have been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, a Paying Agent (which may be the Agent) having a specified office in each location required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system, and (c) to the extent reasonably practicable, a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any such variation, termination, appointment or change will be given by the Issuer to the Noteholders in accordance with Condition 13.

#### **16. Substitution**

- (a) The Issuer has covenanted with the Trustee in the Trust Deed that if it transfers its business to a company (the "**Transferee Company**") within the meaning of the Companies Act 1985 pursuant to Section 97 of the Act then, upon such transfer becoming effective:
  - (i) it will either deliver evidence reasonably satisfactory to the Trustee that the Transferee Company is an authorised person for the purposes of the FSMA (or any statutory modification or re-enactment thereof) or, if such evidence is not so delivered, procure that such transfer is approved by an Extraordinary Resolution of the Noteholders; and
  - (ii) it will, and will procure that the Transferee Company will, execute a deed supplemental to the Trust Deed which has the effect of ensuring to the reasonable satisfaction of the Trustee that (i) the Transferee Company is bound by the terms of the Trust Deed in respect of the

Notes and these Terms and Conditions as fully as if all and any references therein to the Issuer were references to the Transferee Company and (ii) the rights of the holders of the Notes and any relative Coupons (A) are subordinated and postponed to the claims of the persons who are holders of investment shares which are qualifying shares (as defined in Section 100(3) of the Act) in the Issuer in respect of claims arising by virtue of Section 100(2)(a) of the Act and which are represented by those qualifying shares and to the claims of other unsecured but unsubordinated creditors of the Transferee Company but (B) will be such that they rank at least *pari passu* with the holders of the obligations of the Transferee Company issued in respect of Parity Obligations and (C) will be such that they rank in priority to the holders of the issued share capital and Tier 1 Capital of the Transferee Company, and containing such other provisions as the Trustee (having regard in particular to the foregoing) may reasonably require; provided that no variation or supplement to the terms of the Trust Deed or of these Terms and Conditions shall be made in any such supplemental deed which would or might cause any of the own funds or capital resources of the Issuer which at that time are considered appropriate by the Supervisory Authority for inclusion in the calculation of the Issuer's capital adequacy for the purposes of paragraph 4(1) of Schedule 6 to the FSMA and to which such terms relate, to be excluded from the own funds or capital resources which at that time are considered appropriate by the Financial Services Authority for inclusion in the calculation of the Transferee Company's capital adequacy for the purposes of paragraph 4(1) of Schedule 6 to the FSMA.

- (b) The Issuer has covenanted with the Trustee in the Trust Deed that it will not enter into any arrangement for the transfer of its engagements to another building society pursuant to Section 94 of the Act unless it transfers all its engagements to such society or such transfer has been approved by the Trustee or by an Extraordinary Resolution of the Noteholders.
- (c) If the Issuer shall amalgamate with one or more other building societies pursuant to Section 93 of the Act or transfer all of its engagements to another building society pursuant to Section 94 of the Act or transfer the whole of its business to a successor in accordance with Section 97 of the Act, the successor will, pursuant to such provisions, automatically be substituted in place of the Issuer as principal debtor under the Trust Deed, the Notes and any Coupons without any prior approval thereof being required from the Noteholders, the Couponholders or the Trustee (but without prejudice to the provisions of Conditions 16(a) above).
- (d) Any substitution pursuant to this Condition 16 shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

*Prospective Noteholders are referred to the section headed "CONSEQUENCES OF THE BUILDING SOCIETIES ACT FOR NOTEHOLDERS" on page 63 of the Base Prospectus for a description of the ranking of the claims of Noteholders following a transfer in accordance with Section 97 of the Act.*

## **17. Governing Law**

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

## **18. Contracts (Rights of Third Parties) Act 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## 19. Definitions

In these Conditions:

"**Act**" means the Building Societies Act 1986;

"**Additional Amounts**" has the meaning given to it in Condition 8;

"**Agency Agreement**" has the meaning given to it in the preamble to these Conditions;

"**Agent**" has the meaning given to it in the preamble to these Conditions;

"**Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which (i) commercial banks and foreign exchange markets are open for general business in London and (ii) the TARGET 2 System is open;

"**Calculation Amount**" means €1,000 in nominal amount;

"**Clearstream, Luxembourg**" means Clearstream Banking, *société anonyme*;

"**Code**" has the meaning ascribed to it in Condition 6(b);

"**Companies Act**" means the Companies Act 2006 (as amended or re-enacted from time to time);

"**Conditions**" means these terms and conditions of the Notes (including Part A of the Final Terms), as amended from time to time;

"**Coupon**" has the meaning given to it in the preamble to these Conditions;

"**Couponholder**" has the meaning given to it in the preamble to these Conditions;

"**euro**" and "**€**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;

"**Euroclear**" means Euroclear Bank SA/NV;

"**FSMA**" means the Financial Services and Markets Act 2000;

"**Interest Determination Date**" means the day falling two Business Days prior to the Optional Call Date;

"**Interest Payment Date**" means 20 March in each year, starting on (and including) 20 March 2014;

"**Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Issue Date**" means 20 March 2013, being the date of the initial issue of the Notes;

"**Issuer**" means Nationwide Building Society;

"**Junior Obligations**" means the claims of holders of any deferred shares (including permanent interest bearing shares and any deferred share (core capital) investments) and any other claims ranking, or expressed to rank, junior to the Notes or to any Parity Obligations;

**"London Stock Exchange"** means the London Stock Exchange plc;

**"Minimum Capital Requirements"** means the Supervisory Authority's main Pillar 1 rules applicable to the Issuer and other BIPRU firms (within the meaning of the Supervisory Authority's General Prudential sourcebook) or any equivalent successor requirements;

**"Noteholder"** has the meaning given to it in the preamble to these Conditions;

**"Notes"** has the meaning given to it in the preamble to these Conditions;

**"Optional Call Date"** means 20 March 2018;

**"Parity Obligations"** means obligations which rank, or are expressed to rank, *pari passu* with the Notes (including (without limitation) claims in respect of the payment obligations of the Issuer in relation to other dated subordinated notes);

**"Paying Agents"** has the meaning given to it in the preamble to these Conditions;

**"Payment Day"** means a day on which (A) commercial banks settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in (i) in the case of Notes in definitive form only, the relevant place of presentation and (ii) London and (B) the TARGET2 System is open;

**"Rate of Interest"** means, in respect of each Interest Period commencing prior to the Optional Call Date, 4.125 per cent. per annum and thereafter means the Subsequent Fixed Rate of Interest;

**"Regulations"** means (i) the capital adequacy requirements of the Supervisory Authority, or (ii) any other law, regulation, directive or other binding rules, standards or decisions adopted by the institutions of the European Union in relation to capital adequacy requirements;

A **"Regulatory Event"** is deemed to have occurred if the Issuer has determined that, as a result only of any amendment to, or change in, or change in the official interpretation of, any Regulations after the Issue Date, the whole of the aggregate nominal amount of the Notes outstanding is fully excluded from Tier 2 Capital of the Issuer (other than by way of any applicable limits);

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

**"Subsequent Fixed Rate of Interest"** has the meaning ascribed thereto in Condition 4(d);

**"Subsidiary"** means each subsidiary as defined in Section 1159 of the Companies Act for the time being of the Issuer;

**"Supervisory Authority"** means the Financial Services Authority (or any successor body performing for the time being the same or similar functions in relation to the prudential regulation of the Issuer);

**"TARGET 2 System"** has the meaning ascribed thereto in Condition 6(c);

**"Tax Event"** means (i) (a) the Issuer has or will become obliged to pay Additional Amounts as a result of any Tax Law Change; and (b) such obligation cannot be avoided by the Issuer taking

reasonable measures available to it; or (ii) as a result of a Tax Law Change, there is a substantial risk that the Issuer would not obtain relief in full or substantially in full for the purposes of United Kingdom corporation tax for interest payments assuming the Issuer had profits against which such relief could be used, and provided that the Issuer would not have been able to obtain such relief by taking reasonable measures available to it.;

**"Tax Law Change"** means any change or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including, without limitation, any decision of a competent court or any pronouncement of a tax authority in the United Kingdom), which change or amendment becomes effective on or after the Issue Date;

**"Tier 1 Capital"** has the meaning given to it from time to time by the Supervisory Authority;

**"Tier 2 Capital"** has the meaning given to it by the Supervisory Authority from time to time;

**"Trust Deed"** has the meaning given to it in the preamble to these Conditions;

**"Trustee"** has the meaning given to it in the preamble to these Conditions; and

**"United Kingdom"** means the United Kingdom of Great Britain and Northern Ireland.

## SUBSCRIPTION AND SALE

The Joint Lead Managers have, pursuant to a Subscription Agreement dated 18 March 2013 (the "**Subscription Agreement**"), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe and pay for the Notes at 99.566 per cent. of their principal amount, plus accrued interest (if any) less certain fees and commissions. To the extent permitted by local law, the Joint Lead Managers and the Issuer have agreed that commissions may be offered to certain brokers, financial advisers and other intermediaries in connection with the purchase of the Notes by such intermediary and/or its customers.

The Issuer has also agreed to reimburse the Joint Lead Managers for certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Notes.

The Joint Lead Managers are entitled to terminate the Subscription Agreement in certain circumstances prior to payment to the Issuer.

See "*Subscription and Sale*" in the Base Prospectus for details of the restrictions on the distribution of this Drawdown Prospectus and the Base Prospectus and on the offering and sale of the Notes.

In addition:

### **Switzerland**

Neither this Drawdown Prospectus nor any other document relating to the sale of the Notes constitutes a public offering prospectus within the meaning of article 652a or 1156 of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland. Neither this Drawdown Prospectus nor any other document relating to the Notes may be publicly distributed or otherwise made publicly available in or from Switzerland. This Drawdown Prospectus is not intended as an offer or solicitation with respect to the purchase or sale of the Notes by the public and may be distributed only on a private placement basis, without any public distribution, offering or marketing in, or from, Switzerland, provided that any such distribution does not occur as a result of, or in connection with, public solicitation or marketing with respect to the purchase or sale of the Notes.

## GENERAL INFORMATION

### (1) Listing and admission to trading

Application has been made to the UK Listing Authority in its capacity as competent authority under the FSMA to approve this document as a drawdown prospectus for the purposes of the Prospectus Directive. Application has also been made to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's regulated market. The listing and admission to trading of the Notes is expected to be effective as of the Issue Date. The expenses in connection therewith are expected to be approximately £2,975.

### (2) Documents available

For a period of 12 months following the date of this Drawdown Prospectus, copies of this Drawdown Prospectus and the documents incorporated herein by reference are available during normal office hours from the Principal Office of the Society, at the Nationwide House, Pipers Way, Swindon SN38 1NW and from the specified offices of the Paying Agents and this Drawdown Prospectus shall also be available on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html). For the avoidance of doubt, the contents of such website are not incorporated in, and do not form part of, this Drawdown Prospectus.

### (3) Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer or the Group since 30 September 2012. There has been no material adverse change in the prospects of the Issuer or the Group since 4 April 2012.

### (4) Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Group.

### (5) United Kingdom Taxation

The Notes are "Subordinated Notes" for the purposes of the section of the Base Prospectus entitled "*United Kingdom Taxation*", as incorporated by reference in this Drawdown Prospectus.

### (6) Third Party Sources

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



## **PRINCIPAL OFFICE OF THE ISSUER**

### **Nationwide Building Society**

Nationwide House  
Pipers Way  
Swindon SN38 1NW  
United Kingdom

## **JOINT LEAD MANAGERS**

### **J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

### **Merrill Lynch International**

2 King Edward Street  
London EC1A 1HQ  
United Kingdom

### **The Royal Bank of Scotland plc**

135 Bishopsgate  
London EC2M 3UR  
United Kingdom

### **UBS Limited**

1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

## **TRUSTEE**

### **The Law Debenture Trust Corporation p.l.c.**

100 Wood Street  
London EC2V 7EX  
United Kingdom

## **ISSUING AND PRINCIPAL PAYING AGENT**

### **Citibank, N.A., London Office**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

## **PAYING AGENT**

### **BNP Paribas Securities Services,**

**Luxembourg Branch**  
33 rue de Gaspérich  
L-5826 Hesperange  
Luxembourg

## **LEGAL ADVISERS**

*to the Issuer*

### **Allen & Overy LLP**

One Bishops Square  
London E1 6AD  
United Kingdom

*to the Joint Lead Managers and the Trustee*

### **Linklaters LLP**

One Silk Street  
London EC2Y 8HQ  
United Kingdom

## **AUDITORS OF THE ISSUER**

### **PricewaterhouseCoopers LLP**

1 Embankment Place  
London WC2N 6RH  
United Kingdom

