



Building Society

## Nationwide Building Society

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

### U.S.\$25,000,000,000 European Note Programme

*On 17 April 1991 Nationwide Building Society entered into a U.S.\$750,000,000 Note Programme (as subsequently amended, the **Programme**). This Base Prospectus supersedes all previous prospectuses and offering circulars relating to the Programme and supplements thereto. Any Notes issued under the Programme on or after the date hereof are issued subject to the provisions set out herein. This does not affect any Notes issued prior to the date hereof.*

Pursuant to the Programme, Nationwide Building Society (the **Issuer** or the **Society**) may from time to time issue one or more Tranches (as defined herein) of Notes (the **Notes**, which expression shall include Senior Preferred Notes, Senior Non-Preferred Notes, Subordinated Notes and Deposit Notes (each as defined in the Trust Deed (as defined herein))).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme (excluding Deposit Notes) will not exceed U.S.\$25,000,000,000 (or its equivalent in other currencies calculated as described herein and subject to increase as provided herein).

The Notes may be issued from time to time to one or more of the Dealers (each person so specified under “*Overview of the Programme*” being a **Dealer** and together the **Dealers**, which expression shall include any additional Dealer appointed under the Programme from time to time and which appointment may be for the issue of a specific Tranche of Notes or on an ongoing basis).

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see “Risk Factors”.**

This Base Prospectus has been approved as a base prospectus by the Financial Conduct Authority (the **FCA**), as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**) (the **UK Prospectus Regulation**). The FCA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the quality of the Notes that are the subject of this Base Prospectus and investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the FCA for Senior Preferred Notes, Senior Non-Preferred Notes and Subordinated Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the FCA (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 main market. References in this Base 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 main market and have been admitted to the Official List. The London Stock Exchange’s main market is a UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA (**UK MiFIR**).

This Base Prospectus is valid for 12 months from its date in relation to Senior Preferred Notes, Senior Non-Preferred Notes and Subordinated Notes which are to be admitted to trading on a regulated market in the United Kingdom (the **UK**). The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

The requirement to publish a prospectus under the Financial Services and Markets Act 2000 (the **FSMA**) only applies to Notes which are to be admitted to trading on a UK regulated market as defined in UK MiFIR and/or offered to the public in the UK other than in circumstances where an exemption is available under section 86 of the FSMA.

Notice of the aggregate nominal amount of, interest (if any) payable in respect of, the issue price of, the issue date and maturity date of, and certain other information which is applicable to, each Tranche of Notes will be set forth in a final terms document (the **Final Terms**) applicable to such Tranche which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the FCA and the London Stock Exchange prior to the date of issue of such Tranche. Copies of Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service.

The Issuer has long-term senior preferred/long-term senior non-preferred/short-term/subordinated debt ratings of 'A1'/'Baa1'/'P-1'/'Baa2' by Moody's Investors Service Limited (**Moody's**), 'A+'/'BBB+'/'A-1'/'BBB' by S&P Global Ratings UK Limited (**S&P**) and 'A+'/'A'/'F1'/'BBB+' by Fitch Ratings Ltd. (**Fitch**).

Each of Moody's, S&P and Fitch are established in the UK and are registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the **UK CRA Regulation**). None of Moody's, S&P or Fitch is established in the European Union and they have not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The ratings issued by Moody's, S&P and Fitch have been endorsed by, respectively, Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited in accordance with the CRA Regulation. Each of Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited is established in the European Union and registered under the CRA Regulation. As such each of Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

Tranches of Notes issued pursuant to the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

*Arranger*

**BofA Securities**

*Dealers*

**Barclays**

**BofA Securities**

**Credit Suisse International**

**Goldman Sachs International**

**J.P. Morgan**

**Morgan Stanley**

**Nomura**

**Société Générale Corporate & Investment Banking**

**UBS Investment Bank**

**BNP PARIBAS**

**Citigroup**

**Deutsche Bank**

**HSBC**

**Lloyds Bank Corporate Markets**

**NatWest Markets**

**RBC Capital Markets**

**TD Securities**

## IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus for the purposes of Article 8 of the UK Prospectus Regulation.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer the information contained in this Base Prospectus is in accordance with the facts and the Base Prospectus makes no omission likely to affect its import.

This Base Prospectus is to be read in conjunction with any supplements hereto, all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”) and any Final Terms. This Base Prospectus shall be read and construed on the basis that such documents are incorporated in and form part of this Base Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference (see “*Documents Incorporated by Reference*”), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the FCA.

No representation, warranty or undertaking, express or implied, is made by any Dealer or the Trustee, and to the fullest extent permitted by law, the Dealers and the Trustee disclaim all responsibility or liability which they might otherwise have, as to the accuracy or completeness of the information contained in this Base Prospectus or any other financial statement or any further information supplied in connection with the Programme or the Notes or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the Programme.

Neither the Dealers nor the Trustee (as defined below) accept any liability whether arising in tort or contract or otherwise in relation to the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

No person has been authorised to give any information or to make any representation not contained herein and any information or representation not contained herein must not be relied upon as having been authorised by the Issuer, the Dealers or the Trustee.

None of this Base Prospectus, any financial statements and/or any further information supplied in connection with the Programme or the Notes is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation or constituting an offer or invitation by or on behalf of the Issuer, any of the Dealers or the Trustee that any recipient of this Base Prospectus or any financial statements or any further information supplied in connection with the Notes should subscribe for or purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

Neither the delivery of this Base Prospectus nor any subscription, sale or purchase of any Notes shall at any time imply that there has been no change in the affairs of the Issuer since the date hereof or that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other financial statements or any further information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer and its subsidiaries during the life of the Programme. Investors should review, inter alia, the most recently published Annual Report and Accounts of the Issuer when deciding whether or not to purchase any of the Notes.

Neither the Arranger nor any of the Dealers makes any representation as to the suitability of any Sustainable Notes (as defined herein), including the listing or admission to trading thereof on any dedicated ‘green’,

‘environmental’, ‘sustainable’, ‘social’ or other equivalently-labelled segment of any stock exchange or securities market, to fulfil any green, social, environmental or sustainability criteria required by any prospective investors. The Arranger and the Dealers have not undertaken, nor are they responsible for, any assessment of the eligibility criteria for Eligible Sustainable Projects (as defined herein), any verification of whether the Eligible Sustainable Projects meet such criteria or the monitoring of the use of proceeds of any Sustainable Notes (or amounts equal thereto). Investors should refer to any sustainability framework which the Issuer may publish from time to time, any second party opinion delivered in respect thereof, and any public reporting by or on behalf of the Issuer in respect of the application of the proceeds of any issue of Sustainable Notes for further information. Any such sustainability framework and/or second party opinion and/or public reporting will not be incorporated by reference in this Base Prospectus and neither the Arranger nor any of the Dealers makes any representation as to the suitability or contents thereof.

## DISTRIBUTION

**MiFID II product governance / target market** – The Final Terms in respect of any Notes may include a legend entitled “*MiFID II Product Governance*” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue of Notes about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**UK MiFIR product governance / target market** – The Final Terms in respect of any Notes will include a legend entitled “*UK MiFIR Product Governance*” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

**EU PRIIPs Regulation / EEA retail investors** – If the Final Terms in respect of any Notes includes a legend entitled “*Prohibition of Sales to EEA Retail Investors*”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a **retail investor** means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **EU PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been or will be prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

**UK PRIIPs Regulation / UK retail investors** – If the Final Terms in respect of any Notes includes a legend entitled “*Prohibition of Sales to UK Retail Investors*”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This Base Prospectus has been prepared on the basis that Notes will be issued with a minimum denomination not less than €100,000 (or equivalent in another currency).

None of this Base Prospectus, any financial statements and/or any further information supplied in connection with the Programme or the Notes constitutes an offer of, or an invitation by or on behalf of the Issuer, the Dealers or the Trustee to subscribe for or purchase, any of the Notes.

The distribution of this Base Prospectus and the offer, distribution or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Trustee do not represent that this document may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Trustee which is intended to permit a public offering of the Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Base 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 and the Dealers have represented that all offers and sales by them will be made on such terms. Persons into whose possession this Base Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the EEA, the United Kingdom, Australia, Hong Kong, Japan, Singapore, Switzerland and Taiwan (see “*Subscription and Sale*”).

If a jurisdiction requires that any offering of Notes be made by a licensed broker or dealer and any Dealer or any affiliate of any Dealer is a licensed broker or dealer in that jurisdiction and so agrees, such offering in such jurisdiction shall be deemed to be made by such Dealer or such affiliate, as the case may be, on behalf of the Issuer.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S under the Securities Act (see “*Subscription and Sale*”).

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 Base 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 financial markets;
- (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; and
- (vi) understands the accounting, legal, regulatory and tax implications of a purchase, holding and disposal of an interest in the relevant Notes.

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

### **UK BENCHMARKS REGULATION**

Amounts payable on Floating Rate Notes issued under the Programme may be calculated by reference to the Euro Interbank Offered Rate (**EURIBOR**), the Sterling Overnight Index Average (**SONIA**), the Secured Overnight Financing Rate (**SOFR**) or the Euro Short-term Rate (**€STR**) as specified in the applicable Final Terms, and amounts payable on Reset Notes issued under the Programme may in certain circumstances be determined in part by reference to certain of those benchmarks. The applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the the FCA's register of administrators under Article 36 of Regulation (EU) No 2016/1011 as it forms part of domestic law by virtue of the EUWA (the **UK Benchmarks Regulation**). Transitional provisions in the UK Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

### **SINGAPORE: SECTION 309B(1)(C) NOTIFICATION**

In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as amended or modified from time to time (the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), the Issuer has, unless otherwise specified before an offer of Notes, determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), the classification of all Notes to be issued under the Programme as "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## STABILISATION

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

## FORWARD LOOKING STATEMENTS

Some statements in this Base Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Base Prospectus, words such as "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. Forward looking statements are based on the current view of the Issuer's management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as at the date of this Base Prospectus, the Issuer's actual results of operations may vary materially from those expected, estimated or predicted.

Any forward looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward looking statements contained in it to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward looking statement is based.

## CERTAIN DEFINED TERMS

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to the **Act** are to the Building Societies Act 1986, which expression shall include, where applicable, any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under any statutory modification or re-enactment.

Terms used in this Base Prospectus, shall unless otherwise defined or the context otherwise requires, have the same meanings as are given to them in the Act or, as the case may be, the Rules of the Society (the **Rules**) or the Memorandum of the Society (the **Memorandum**).

In this Base Prospectus, references to **£**, **pounds** and **Sterling** are to pounds sterling, references to **U.S.\$** and **U.S. Dollars** are to United States dollars, references to **Yen** and **¥** are to Japanese Yen and references to **€** or **euro** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

In this Base Prospectus, unless the contrary intention appears, a reference to a law, a provision of a law or a regulation is a reference to that law, provision or regulation as extended, amended, superseded or re-enacted.

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## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, a new Base Prospectus or a drawdown prospectus will be published.*

This Overview constitutes a general description of the Programme for the purposes of Article 25(1) of Delegated Regulation (EU) No 2019/980 as it forms part of domestic law by virtue of the EUWA (the **UK Delegated Regulation**).

*Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this Overview. References in this Base Prospectus to the “Group” are references to Nationwide Building Society and its subsidiaries, all of which are consolidated, unless the context otherwise requires.*

**Issuer:** Nationwide Building Society (the **Issuer**). The Issuer is the largest building society in the United Kingdom, based on total assets of £272.4 billion as at 4 April 2022.

**Issuer Legal Entity Identifier (LEI):** 549300XFX12G42QIKN82

**Website of the Issuer:** <https://www.nationwide.co.uk/>

The information on <https://www.nationwide.co.uk/> does not form part of this Base Prospectus, except where that information has otherwise expressly been incorporated by reference into this Base Prospectus.

**Risk Factors:** Certain factors may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under, and prospective investors should carefully read, “*Risk Factors*” below.

**Dealers:**

- Barclays Bank PLC
- BNP Paribas
- Citigroup Global Markets Limited
- Credit Suisse International
- Deutsche Bank AG, London Branch
- Goldman Sachs International
- HSBC Bank plc
- J.P. Morgan Securities plc
- Lloyds Bank Corporate Markets plc
- Merrill Lynch International
- Morgan Stanley & Co. International plc
- NatWest Markets Plc
- Nomura International plc
- RBC Europe Limited
- Société Générale
- The Toronto-Dominion Bank
- UBS AG London Branch

<b>Issuing and Principal Paying Agent:</b>	Citibank, N.A., London Branch
<b>Amount:</b>	Up to U.S.\$25,000,000,000 nominal amount outstanding at any time (or its equivalent in other currencies as described herein) excluding Deposit Notes. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	<p>Subject to any applicable legal or regulatory restrictions, Notes may be denominated in Sterling, euro, U.S. dollars, Yen or any other currency, as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Agent and the Trustee.</p> <p>Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time.</p>
<b>Denominations:</b>	<p>The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s), save that:</p> <ul style="list-style-type: none"> <li>(i) the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency; and</li> <li>(ii) the minimum denomination of each Note will be not less than €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).</li> </ul>
<b>Maturities:</b>	Notes may have any maturity as indicated in the applicable Final Terms, save that (a) in the case of Subordinated Notes, the minimum maturity will be five years, (b) in the case of Senior Non-Preferred Notes, the minimum maturity will be one year and one day, (c) in the case of Deposit Notes, the maximum maturity will be five years less one day, and (d) notwithstanding (a), (b) and (c) above, in any case such other maturity as may be required from time to time by the relevant monetary authority or any laws or regulations applicable to the relevant currency.
<b>Issue Price:</b>	Notes may be issued at par or at a premium or discount to par and will be issued on a fully-paid basis.
<b>Form:</b>	The Notes will be issued in bearer form.
<b>Terms of the Notes:</b>	The final terms of the Notes will be specified in the applicable Final Terms, which must be read together with the Terms and Conditions of the Notes set out in this Base Prospectus (as amended, if applicable).

<b>Interest:</b>	The following types of Note may be issued: (i) Notes which bear interest at a fixed or floating rate; (ii) Notes which bear interest at the initial rate specified in the applicable Final Terms, which may be reset thereafter; (iii) Notes which bear interest on the basis of a combination of fixed and floating rates; and (iv) Notes which do not bear interest. Interest periods, rates of interest and the terms of and/or amounts payable on redemption may differ depending on the Notes being issued and such terms will be specified in the applicable Final Terms.
<b>Benchmark discontinuation:</b>	If so specified in the applicable Final Terms for a Series of Notes, then in the event that a Benchmark Event or Benchmark Transition Event (as applicable) occurs, such that any rate of interest (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the applicable Final Terms, then the Issuer may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of such Series of Notes and the application of an adjustment spread (which could be positive, negative or zero)). See Condition 4.4 for further information.
<b>Redemption:</b>	<p>The Final Terms relating to each Tranche of Notes will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default or, if applicable, in the case of Subordinated Notes, following the occurrence of a Regulatory Event or, if applicable, in the case of Senior Non-Preferred Notes, following the occurrence of a Loss Absorption Disqualification Event) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms.</p> <p><b>Subject to certain exceptions, Subordinated Notes may not be redeemed prior to five years from the issue date thereof.</b></p>
<b>Substitution and Variation in respect of Senior Non-Preferred Notes:</b>	If so specified in the applicable Final Terms for a Series of Senior Non-Preferred Notes, upon the occurrence of a Loss Absorption Disqualification Event, the Issuer may, subject to certain conditions and without the consent of the Noteholders, either substitute all (but not some only) of the relevant Series of Senior Non-Preferred Notes for, or vary the terms of such Series of Senior Non-Preferred Notes so that they remain or become, Loss Absorption Compliant Notes.
<b>Denomination of Notes:</b>	So long as any Notes are represented by a temporary global Note or a permanent global Note and the relevant clearing system(s) so permit, the Notes shall be tradeable only in nominal amounts of at least the Specified Denomination (or, if more than one Specified Denomination, the lowest Specified Denomination) provided in the applicable Final Terms and integral multiples of the Calculation Amount specified in the applicable Final Terms in excess thereof, save that the minimum denomination of

each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

**Taxation:**

All payments in respect of the Notes will be made without deduction for or on account of United Kingdom withholding taxes, unless the withholding is required by law. In that event, the Issuer will (subject to certain exceptions as set out in Condition 9) pay such additional amounts:

- (i) in the case of all Senior Preferred Notes and Deposit Notes, in respect of interest or principal; or
- (ii) in the case of all Subordinated Notes and Senior Non-Preferred Notes, in respect of interest only,

as will result in Noteholders receiving such amounts as they would have received in respect of the Notes had no such withholding been required.

For the avoidance of doubt, in the case of Subordinated Notes and Senior Non-Preferred Notes, the Issuer will not pay any additional amounts in respect of principal (including premium and other payments akin to principal, as more fully described in the Terms and Conditions of the Notes).

**Status of the Senior Preferred Notes and Deposit Notes:**

The Senior Preferred Notes, the Deposit Notes and any relative Coupons will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and will rank (subject to the provisions of Condition 3) *pari passu* and without any preference among themselves, junior to obligations required to be preferred by law (which includes certain member share accounts which are given preferential status by law) and at least equally with all other Ordinary Non-Preferential Debts of the Issuer.

Accordingly, subject to the Insolvency Act (and any other Ranking Legislation), the Senior Preferred Notes, the Deposit Notes and any relative Coupons will (for so long as they are not secured pursuant to the provisions of Condition 3) form part of the class of Ordinary Non-Preferential Debts of the Issuer under the Insolvency Act (and any other Ranking Legislation).

As used herein:

**Hierarchy Order** means The Banks and Building Societies (Priorities on Insolvency) Order 2018, as amended or superseded from time to time;

**Insolvency Act** means the Insolvency Act 1986, as amended or superseded from time to time (including by the Hierarchy Order);

**Ordinary Non-Preferential Debts** means ‘ordinary non-preferential debts’ as defined in Section 387A(3)(a) of the Insolvency Act (or, as the case may be, in the relevant section of any other Ranking Legislation); and

**Ranking Legislation** means the Insolvency Act, the Hierarchy Order and, if and to the extent applicable to the Issuer, any other law or regulation which is amended by the Hierarchy Order.

**Status of the Senior Non-Preferred Notes:**

The Senior Non-Preferred Notes may only be issued upon terms such that they (A) have an original contractual maturity of at least one year, and (B) are not derivatives and contain no embedded derivatives for the purposes of Section 387A(3)(b)(ii) of the Insolvency Act (and the relevant section of any other Ranking Legislation).

The Senior Non-Preferred Notes and any relative Coupons will constitute direct and unsecured obligations of the Issuer and, subject to the Insolvency Act (and any other Ranking Legislation), will constitute Secondary Non-Preferential Debts under the Insolvency Act (and any other Ranking Legislation) ranking *pari passu* and without any preference among themselves.

Accordingly, subject to the Insolvency Act (and any other Ranking Legislation), claims in respect of principal, interest and any other amount (including, without limitation, any damages awarded for breach of the Issuer's obligations) in respect of the Senior Non-Preferred Notes and any relative Coupons will, in the event of the winding up or dissolution of the Issuer (subject as otherwise provided in an Excluded Dissolution), rank as provided for Secondary Non-Preferential Debts in the Insolvency Act (and any other Ranking Legislation), as further described in Condition 2.2.

As used herein, **Secondary Non-Preferential Debts** means 'secondary non-preferential debts' as defined in Section 387A(3)(b) of the Insolvency Act (or, as the case may be, in the relevant section of any other Ranking Legislation).

**Status of the Subordinated Notes:**

The Subordinated Notes and any relative Coupons will constitute direct, subordinated and unsecured obligations of the Issuer and will rank *pari passu* and without any preference among themselves.

Accordingly, subject to the Insolvency Act (and any other Ranking Legislation), the Subordinated Notes and any relative Coupons will form part of the class of Tertiary Non-Preferential Debts under the Insolvency Act (and any other Ranking Legislation), and claims in respect of principal, interest and any other amount (including, without limitation, any damages awarded for breach of the Issuer's obligations) in respect of Subordinated Notes and any relative Coupons will, in the event of the winding up or dissolution of the Issuer (subject as otherwise provided in an Excluded Dissolution), be subordinated in the manner provided in the Trust Deed and as further described in Condition 2.3.

As used herein, **Tertiary Non-Preferential Debts** means 'tertiary non-preferential debts' as defined in Section 387A(3)(c) of the Insolvency Act (or, as the case may be, in the relevant section of any other Ranking Legislation).

<b>Waiver of Set-off:</b>	Subject to applicable law, no holder of any Senior Non-Preferred Note or Subordinated Note or any Coupon relating thereto (if any) nor the Trustee may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Senior Non-Preferred Notes, the Subordinated Notes or the Coupons relating thereto, and each Noteholder or Couponholder shall, by virtue of its being the holder of (or the holder of any interest in) any Senior Non-Preferred Note, Subordinated Note or relative Coupon, be deemed to have waived all such rights of set-off.
<b>Cross Acceleration:</b>	The Senior Preferred Notes and the Deposit Notes will contain a cross acceleration clause in respect of indebtedness for moneys borrowed or raised by the Issuer. The Senior Non-Preferred Notes and the Subordinated Notes will not contain a cross acceleration clause.
<b>Negative Pledge:</b>	The Senior Preferred Notes and the Deposit Notes will contain a negative pledge prohibiting (subject to the exception set out therein) the Issuer or any Subsidiary from creating security to secure any Loan Stock of the Issuer or any Subsidiary. The Senior Non-Preferred Notes and the Subordinated Notes will not contain a negative pledge.
<b>Rating:</b>	Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
<b>Events of Default for Senior Preferred Notes and Deposit Notes:</b>	<p>The terms of the Senior Preferred Notes and Deposit Notes will contain, amongst others, the following events of default (as more fully set out at Condition 10):</p> <ul style="list-style-type: none"> <li>(a) default in payments of any principal or interest due in respect of the Notes, continuing for a specified period of time;</li> <li>(b) non-performance or non-observance by the Issuer of any of its other obligations under the Terms and Conditions of the Notes or the Trust Deed continuing for a specified period of time;</li> <li>(c) default by the Issuer or any of its Principal Subsidiaries relating to present or future indebtedness in an amount of £40,000,000 or more;</li> <li>(d) any distress, execution or similar legal process of a claim of £20,000,000 or more is levied or enforced or sued out upon or against any part of the property, assets or revenues of the Issuer or any Principal Subsidiary and is not discharged or stayed within 30 days of having been so levied, enforced or sued out; and</li> <li>(e) events relating to the administration, liquidation, insolvency or winding up of the Issuer or any of its Principal Subsidiaries.</li> </ul>

**Events of Default for Subordinated Notes and Senior Non-Preferred Notes:**

The Events of Default and enforcement rights in respect of Subordinated Notes and Senior Non-Preferred Notes are restricted (as more fully set out at Condition 11).

If default is made for a period of seven days or more in the payment of any principal due on any Subordinated Notes or Senior Non-Preferred Notes or for a period of 14 days or more in the payment of any interest due on any Subordinated Notes or Senior Non-Preferred Notes, the Trustee may institute proceedings for the winding up of the Issuer in England (but not elsewhere) and prove in such winding up but may take no other action in respect of such default.

In the event of a winding up or dissolution of the Issuer (other than an Excluded Dissolution), the Trustee may give notice to the Issuer accelerating the Subordinated Notes or Senior Non-Preferred Notes and may prove in such winding up or dissolution in respect of such Notes (such claim ranking, in the case of Subordinated Notes, as provided in Condition 2.3 or, in the case of Senior Non-Preferred Notes, Condition 2.2).

**Listing:**

Application has been made for Senior Preferred Notes, Senior Non-Preferred Notes and the Subordinated Notes issued under the Programme to be listed on the main market of the London Stock Exchange.

**Use of Proceeds:**

The net proceeds from each issue of Notes will be applied by the Issuer for the general purposes of the Issuer, including without limitation, making mortgage advances on private residential property located in the United Kingdom and making a profit, or as otherwise specified in the applicable Final Terms in respect of any Notes.

Notes may be issued as Sustainable Notes and the applicable Final Terms will indicate if the Notes are intended to constitute Sustainable Notes. The Issuer intends to allocate an amount equal to the net proceeds from any issue of Sustainable Notes to advance loans to the Issuer's customers on a targeted basis for the purposes of the financing and/or refinancing by such customers of Eligible Sustainable Projects, in line with any sustainability framework that the Issuer may publish from time to time.

**Governing Law:**

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

**Recognition of UK Bail-in:**

Notwithstanding, and to the exclusion of, any other term of any Series of Notes or any other agreements, arrangements or understandings between the Issuer and any Noteholder (or the Trustee on behalf of any Noteholder), by its acquisition of any Note (or any interest therein), each Noteholder acknowledges and accepts that the amounts due arising under the Notes may be subject to the exercise of the UK Bail-in Power, and acknowledges, accepts, consents, and agrees to be bound by the effect of the exercise of the UK Bail-in Power by the Resolution Authority, all in accordance with, and as more fully described in, Condition 21.

<b>Selling Restrictions:</b>	There are selling restrictions in relation to the offering and sale of a particular Tranche of Notes. See “ <i>Subscription and Sale</i> ”.
<b>United States Selling Restrictions:</b>	Regulation S, Category 2. TEFRA C, TEFRA D or TEFRA not applicable, as specified in the applicable Final Terms.
<b>MiFID II/ UK MiFIR Product Governance:</b>	The Final Terms in respect of any Notes may include a legend entitled “ <i>MiFID II product governance</i> ” and will include a legend entitled “ <i>UK MiFIR product governance</i> ” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor of Notes should take into consideration any such target market assessment; however, a distributor subject to MiFID Product Governance Rules or the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the relevant target market assessment) and determining appropriate distribution channels.
<b>Prohibition of Sales to EEA and UK retail investors:</b>	If the Final Terms in respect of any Notes includes a legend entitled “ <i>Prohibition of Sales to EEA Retail Investors</i> ” and/or a legend entitled “ <i>Prohibition of Sales to UK Retail Investors</i> ”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the UK, respectively. No key information document required by the EU PRIIPs Regulation or the UK PRIIPs Regulation for offering or selling any Notes or otherwise making them available to retail investors in the EEA or the UK, respectively, will be prepared for any such Notes and therefore offering or selling any such Notes or otherwise making them available to any retail investor in the EEA or, as the case may be, the UK may be unlawful under the EU PRIIPs Regulation and/or the UK PRIIPs Regulation, as applicable.



## RISK FACTORS

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

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and which may or may not occur are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any 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 elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

### **1 FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME**

#### **1.1 Risks Related to the Notes generally**

##### **1.1.1 *The UK Banking Act 2009 confers substantial powers on a number of UK authorities designed to enable them to take a range of actions in relation to UK deposit-taking institutions which are considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer or any Notes could materially adversely affect the value of any Notes and/or the rights of Noteholders***

Under the UK Banking Act 2009, as amended (the **Banking Act**), substantial powers are granted to HM Treasury, the Bank of England acting as the Prudential Regulation Authority through its Prudential Regulation Committee (the **PRA**), the FCA and the Bank of England (together, the **Authorities**) as part of the Special Resolution Regime (the **SRR**). These powers enable the Authorities to deal with, amongst other entities, a UK bank or building society (each a **relevant entity**) in circumstances in which the Authorities consider that the resolution conditions are satisfied, through a series of stabilisation options including, among other things, to resolve the relevant entity by means of several resolution tools (the **Stabilisation Options**). For further information in relation to the Issuer's regulatory environment and capital requirements see "*Risks Related To Regulations/The Regulatory Environment*".

*Various actions may be taken under the SRR in relation to the Notes without the consent of the Noteholders*

If the Issuer were made subject to the SRR, HM Treasury or the Bank of England may exercise extensive share transfer powers (applying to a wide range of securities) and property transfer powers (including powers for partial transfers of property, rights and liabilities) in respect of the Issuer and/or its securities (subject to certain protections).

Exercise of these powers could involve taking various actions in relation to any securities issued by the Issuer (including any Notes issued under the Programme) without the consent of the Noteholders, including (among other things):

- transferring the Notes out of the hands of the holders;

- delisting the Notes;
- writing down (which may be to nil) the Notes or converting the Notes into another form or class of securities; and/or
- modifying or disapplying certain terms of the Notes, which could include modifications to (without limitation) the maturity date (which may be to extend the maturity date), the interest provisions (including reducing the amount of interest payable, the manner in which interest is calculated and/or the scheduled interest payment dates, including by suspending payment for a temporary period), and/or the redemption provisions (including the timing of any redemption options and/or the amount payable upon redemption), and may result in the disapplication of acceleration rights or events of default under the terms of the Notes or the effect thereof.

The relevant Authorities may exercise the bail-in tool under the Banking Act to recapitalise a relevant entity in resolution by allocating losses to (amongst others) its capital providers and unsecured creditors (which would include Noteholders) in a manner that (i) ought to respect the hierarchy of claims in an ordinary insolvency and (ii) is consistent with shareholders and creditors not receiving a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity (known as the “no creditor worse off” safeguard, although this may not apply in relation to an application of the write-down and conversion power in circumstances where a stabilisation power is not also used; holders of debt instruments which are subject to the power may, however, have ordinary shares transferred to or issued to them by way of compensation). Accordingly, the ranking of Notes in insolvency can be expected to have a direct impact on the relative losses imposed on Noteholders in a resolution. For further information with respect to the ranking of Notes, see *“The Notes rank junior to most of the Issuer’s liabilities”*.

The bail-in tool includes the power to cancel a liability or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the relevant entity under resolution and the power to convert a liability from one form or class to another. There is also the power to convert a building society into a company in connection with a bail-in. The exercise of such powers may result in the cancellation of all, or a portion, of the nominal amount of, interest on, or any other amounts payable on, the Notes and/or the conversion of all or a portion of the nominal amount of, interest on, or any other amounts payable on, the Notes into equity securities (which, in the case of the Issuer, could be core capital deferred shares) or other securities or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes.

The taking of any such actions could materially adversely affect the rights of Noteholders, the price or value of their investment in the Notes, the liquidity and/or volatility of any market in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. In such circumstances, Noteholders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act. However, such compensation will be limited to the return the Noteholder might otherwise have received on an insolvency of the Issuer (less the value already received through resolution), and there can be no assurance that Noteholders will have such a claim or, if they do, that they would thereby recover compensation promptly or equal to any loss actually incurred.

In addition, if the market perceives or anticipates that any action may be taken under the Banking Act in respect of the Issuer or any of its securities (including any Notes issued under the Programme), this may have a significant adverse effect on the market price of the Notes and/or the liquidity and/or volatility of any market in the Notes, whether or not such powers are ultimately exercised. In such case, investors may experience difficulty in selling their Notes, or may only be able to sell their Notes at a loss.

*Mandatory write-down and conversion of capital instruments and relevant internal liabilities may affect the Subordinated Notes, including outside formal resolution proceedings*

As noted above, in addition to the Stabilisation Options which may be used in a resolution of an institution, the Banking Act contains a write-down and conversion tool which enables (and, if the institution enters into resolution, requires) the relevant Authorities permanently to write-down, or convert into common equity tier 1 instruments (which, in the case of the Issuer, could be core capital deferred shares), any Tier 1 capital instruments and Tier 2 capital instruments (including any Subordinated Notes issued under the Programme) and relevant internal liabilities at the point of non-viability of the relevant entity independently of (or in conjunction with) the exercise of any stabilisation power.

For the purposes of the application of such mandatory write-down and conversion power, the point of non-viability is the point at which (i) the relevant Authority determines that the relevant entity meets the conditions for resolution (but no resolution action has yet been taken), (ii) the relevant Authority determines that the relevant entity or its group will no longer be viable unless the relevant capital instruments and relevant internal liabilities are written-down or converted or (iii) extraordinary public financial support is required by the relevant entity other than, where the entity is an institution, for the purposes of remedying a serious disturbance in the UK economy and to preserve financial stability.

Subordinated Notes issued under the Programme may therefore be subject to write-down or conversion into equity on application of such powers (without requiring the consent of the holders thereof) independently of whether the Issuer is in, or subsequently enters into, resolution. This may result in the holders losing some or all of their investment even if the Issuer is not put into resolution. The “no creditor worse off” safeguard would not apply in relation to an application of such powers in circumstances where resolution powers are not also exercised.

The exercise of such mandatory write-down and conversion power under the Banking Act could, therefore, materially adversely affect the rights of holders of Subordinated Notes, and such exercise (or the perception that such exercise may occur) could materially adversely affect the price or value of their investment in Subordinated Notes and/or the ability of the Issuer to satisfy its obligations under the Notes, and/or may adversely affect liquidity and/or volatility in any market for such Subordinated Notes.

*The circumstances under which the relevant Authorities would exercise resolution powers are uncertain, which may affect the value of the Notes*

There is considerable uncertainty regarding the specific factors beyond the goals of addressing banking crises pre-emptively and minimising taxpayers’ exposure to losses (for example, by writing down relevant capital instruments before the injection of public funds into a financial institution) which the relevant Authorities would consider in deciding whether to exercise the Banking Act resolution powers with respect to the relevant financial institution and/or securities, such as the Notes, issued by that institution. While the Banking Act provides some guidance as to how and when the resolution powers may be utilised by the relevant Authorities, the Banking Act and Directive 2014/59/EU (the **Bank Recovery and Resolution Directive** or **BRRD**), as amended by Directive (EU) No. 2019/879 (**BRRD II**) (which has been broadly transposed into English law by amendments to the Banking Act) allow for discretion and there is no certainty as to how the relevant Authorities will exercise any resolution powers with respect to a financial institution and/or securities issued by that institution. As there may be many factors, including factors outside of the Issuer’s control or not directly related to it, which could result in such a determination, holders of the Notes may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such resolution powers.

Accordingly, the threat of resolution powers being used may affect trading behaviour, including prices and volatility, and, as a result, the Notes are not necessarily expected to follow the trading behaviour associated with other types of securities.

### ***1.1.2 The Notes rank junior to most of the Issuer's liabilities***

*Senior Preferred Notes and Deposit Notes rank behind liabilities which are preferred by law*

A substantial portion of claims against the Society in the event of its winding up or dissolution will rank ahead of claims in respect of the Senior Preferred Notes and Deposit Notes. Holders of Senior Preferred Notes, Deposit Notes and other unsubordinated creditors of the Issuer will, in an insolvency of the Issuer, rank junior to member share accounts, which are given preferential status under law.

The English insolvency regime applicable to the Society at the date of this Base Prospectus provides for:

- (i) a first-ranking preference to those deposits and share accounts (or a relevant part thereof) of natural persons and micro, small and medium enterprises, which are actually protected by the Financial Services Compensation Scheme (the **FSCS**) (i.e. are eligible for protection and do not exceed the FSCS coverage limit (being, as at the date of this Base Prospectus, £85,000)); and
- (ii) a second-ranking preference to deposits and share accounts (or a relevant part thereof) of natural persons and micro, small and medium enterprises, which would be eligible for FSCS protection but for the fact that they either (a) exceed the coverage limit of the FSCS or (b) were made through a branch outside the European Union (the **EU**). Such deposits and share accounts (or the relevant part thereof) will rank after the preferential debts referred to in paragraph (i) above but in priority to the claims of ordinary unsecured creditors that are not afforded preferential status in the event of an insolvency.

In a winding-up or dissolution of the Society, a substantial portion of the claims against it would be claims of its retail members, whose claims will rank ahead of claims in respect of the Senior Preferred Notes and Deposit Notes (which in turn will rank ahead of claims in respect of Senior Non-Preferred Notes and Subordinated Notes).

*Relative ranking of Notes issued under the Programme*

On a winding-up or dissolution of the Society, claims in respect of Senior Preferred Notes and Deposit Notes issued under the Programme will rank ahead of claims in respect of Senior Non-Preferred Notes (notwithstanding that Senior Preferred Notes and Senior Non-Preferred Notes both share the 'senior' designation under the Programme, investors should note that the latter ranks behind the former), which in turn will rank ahead of claims in respect of Subordinated Notes.

Therefore, in a winding-up or dissolution of the Society, the assets of the Society available for distribution would be expected to be distributed:

1. firstly, in satisfaction of all claims which are preferred by law to claims in respect of Senior Preferred Notes and Deposit Notes;
2. secondly, only if and to the extent any assets remain after the distributions above, in satisfaction of all claims in respect of Senior Preferred Notes, Deposit Notes and any other ordinary non-preferential debts (as that term is defined in Section 387A of the Insolvency Act) on a *pro rata* basis;

3. thirdly, only if and to the extent any assets remain after the distributions above, in satisfaction of all claims in respect of Senior Non-Preferred Notes and any other secondary non-preferential debts (as that term is defined in Section 387A of the Insolvency Act) on a *pro rata* basis; and
4. fourthly, only if and to the extent any assets remain after the distributions above (and, if applicable, after distributions in respect of subordinated liabilities of the Society which rank ahead of Subordinated Notes, if any), in satisfaction of all claims in respect of Subordinated Notes and any other tertiary non-preferential debts (as that term is defined in Section 387A of the Insolvency Act) which rank *pari passu* with Subordinated Notes, on a *pro rata* basis.

Accordingly, the Issuer may not have enough assets remaining after paying higher-priority creditors to pay amounts due under the relevant Notes, and in such circumstances Noteholders could lose some or all of their investment in the Notes.

#### *Relevance of ranking to recovery and resolution under the Banking Act*

The ranking of Notes in a winding up or dissolution of the Issuer can also be expected to have a direct impact on the relative losses imposed on Noteholders in a resolution of the Issuer or upon use of the write-down and conversion powers under the Banking Act, as such resolution and write-down and conversion powers ought to be used in a manner that respects the hierarchy of claims in an ordinary insolvency - see “*The UK Banking Act 2009 confers substantial powers on a number of UK authorities designed to enable them to take a range of actions in relation to UK deposit-taking institutions which are considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer or any Notes could materially adversely affect the value of any Notes and/or the rights of Noteholders*”.

In addition, the Senior Non-Preferred Notes and Subordinated Notes are intended to contribute towards the Society’s minimum requirement for own funds and eligible liabilities (**MREL**), meaning that they are specifically intended to be available to resolution authorities for write-down, write-off or conversion to equity under the Banking Act in order to absorb losses and recapitalise the Society if it is failing, and before more senior-ranking creditors suffer losses. Accordingly, investors in Senior Non-Preferred Notes and Subordinated Notes may lose all or substantially all of their investment whilst investors in Senior Preferred Notes and Deposit Notes suffer lower (or no) losses (although there can be no assurance that investors in Senior Preferred Notes and Deposit Notes will not also suffer substantial or total losses). The market value of the Subordinated Notes and Senior Non-Preferred Notes may therefore be more severely adversely affected and/or more volatile if the Issuer’s financial condition deteriorates than the market value of the Senior Preferred Notes and Deposit Notes. Accordingly, holders of Senior Non-Preferred Notes bear significantly more risk than holders of Senior Preferred Notes (notwithstanding that both share the ‘senior’ designation under the Programme) and Deposit Notes, and holders of Subordinated Notes bear significantly greater risk than holders of Senior Non-Preferred Notes.

In the event of an insolvency, winding up or resolution of the Issuer, there is a real risk that investors in Senior Preferred Notes, Deposit Notes, Senior Non-Preferred Notes and/or Subordinated Notes would lose some or the entire amount of their investment. Furthermore, the market price of Senior Preferred Notes, Deposit Notes, Senior Non-Preferred Notes and Subordinated Notes can be expected to be materially adversely affected if the Issuer’s financial condition deteriorates such that the market anticipates the insolvency, winding-up or resolution of the Issuer.

#### *Noteholders agree to be bound by the exercise of any UK Bail-in Power by the Resolution Authority*

In recognition of the resolution powers granted by law to the Resolution Authority, by acquiring the Notes of any Series or any Coupon, each Noteholder and Couponholder will acknowledge and accept that the Amounts Due (as defined in the Terms and Conditions of the Notes) arising under the Notes and Coupons may be subject to the exercise of the UK Bail-in Power (as defined in the Terms and

Conditions of the Notes) and will acknowledge, accept, consent and agree to be bound by the effect of the exercise of any UK Bail-in Power by the Resolution Authority, that may result in (i) the reduction of all, or a portion, of the Amounts Due; (ii) the conversion of all, or a portion, of the Amounts Due on the Notes into shares, deferred shares (including core capital deferred shares) or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the Noteholder or Couponholder of such shares, deferred shares or other securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes or Coupons; (iii) the cancellation of the Notes or Coupons; (iv) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the dates on which interest becomes payable, including by suspending payment for a temporary period. Each Noteholder and Couponholder will further acknowledge, accept, consent and agree to be bound by the variation of the terms of the Notes, Trust Deed and Coupons, if necessary, to give effect to the exercise of the UK Bail-in Power by the Resolution Authority.

Accordingly, the UK Bail-in Power may be exercised in such a manner as to result in Noteholders and the Couponholders losing all or a part of the value of their investment in the Notes and Coupons, having payment on the Notes and Coupons suspended for a period of time or receiving a different security from the Notes or Coupons, which may be worth significantly less than the Notes and Coupons and which may have significantly fewer protections than those typically afforded to debt securities. Moreover, the Resolution Authority may exercise the UK Bail-in Power without providing any advance notice to, or requiring the consent of, the Noteholders or Couponholders. In addition, under the Terms and Conditions of the Notes, the exercise of the UK Bail-in Power by the Resolution Authority with respect to the Notes and the Coupons is not an Event of Default under the Notes or Coupons or a breach or default thereunder, or an event of default or default for any other purpose.

### ***1.1.3 The regulation and reform of benchmarks may adversely affect the value of Notes referencing such benchmarks***

#### *Benchmarks Regulation and Reform*

Interest rates and indices which are deemed to be “benchmarks” (including EURIBOR) are the subject of recent and ongoing reform. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

#### *EU and UK Benchmarks Regulation*

Regulation (EU) 2016/1011 (the **EU Benchmarks Regulation**) applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the **UK Benchmarks Regulation**) among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities (such as the Issuer) of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could,

among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

#### *IBOR replacement*

There is continued regulatory scrutiny of use of inter-bank offered rates (**IBORs**) and increasing pressure and momentum for banks and other financial institutions to transition relevant products to replacement rates.

For example, in the case of floating rate Eurobonds, bonds which would traditionally have referenced EURIBOR may move towards referencing the new €STR (although a reformed EURIBOR rate will continue to be published).

€STR and other replacement risk-free rates, such as SONIA and SOFR, operate on a backward-looking basis (predominantly on the basis of a daily compounding calculation, although weighted average alternatives have been seen in certain rates), rather than forward-looking term rates. While forward-looking term rates based on certain of these risk-free rates have been or are being developed, it is uncertain whether the capital markets will move to referencing those term rates for public bond issues, or if the regulators will allow such adoption.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Specifically, the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021 the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates. The recommended fallback triggers include both cessation and pre-cessation triggers, including, *inter alia*, permanent cessation, non-representativeness and (potentially) unlawfulness triggers (the working group recommended against a material change in the EURIBOR methodology as defined by the European Money Markets Institute (EMMI) being an automatic trigger). For debt securities, based on support for the proposals from the public consultation and issuances already observed in the capital markets, the working group recommended the replacement rate to be €STR with a backward-looking lookback period methodology (with an observation shift methodology, although use of the lag approach was considered a robust alternative) and applying an adjustment spread based on a five-year historical median methodology.

The potential transition from IBORs to risk-free or other rates or benchmarks, the cessation of a benchmark or changes in the manner of administration of any benchmark could require an adjustment to the Terms and Conditions of the Notes, or result in other consequences, in respect of any Notes referencing such benchmark. Such factors may have (without limitation) also the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

#### *Benchmark discontinuation under the Terms and Conditions of the Notes*

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event or a Benchmark Transition Event (as applicable) occurs in respect of the Original Reference Rate for the relevant series of Notes, including (without limitation) if an inter-bank offered rate (such as EURIBOR) or other relevant reference rate (which could include, without limitation, any mid-swap rate), and/or any page on which such benchmark may be published (or any other successor service) becomes unavailable.

Such fallback arrangements include the possibility that the rate of interest could be set by reference to a successor, alternative or a Benchmark Replacement (as defined in the Terms and Conditions) together with the application of an adjustment spread or Benchmark Replacement Adjustment (as defined in the Terms and Conditions) (which could be positive, negative or zero), and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the new benchmark, all as determined by the Issuer (acting in good faith and in consultation with an Independent Adviser) and as more fully described at Condition 4.4. However, the Issuer will not be required to implement a successor, alternative or Benchmark Replacement or any adjustment spread or Benchmark Replacement Adjustment or make any amendments to the Terms and Conditions of any Notes if and to the extent that, in its determination, the same could reasonably be expected to impact adversely the treatment of the Notes under the prudential or loss-absorption regulations in certain respects, and in such case the Issuer may, subject to certain conditions, be able to apply the provisions of Condition 4.4 on an adjusted basis to avoid that outcome, all as more fully described under Condition 4.4(f). It is possible that the adoption of a successor or alternative rate or Benchmark Replacement, including any adjustment spread or Benchmark Replacement Adjustment, may result in a rate of interest less favourable to holders than the Original Reference Rate.

There is also a risk that the relevant fallback provisions may not operate as expected or as intended at the relevant time.

*Floating Rate Notes issued under the Programme could effectively become Fixed Rate Notes*

Furthermore, in certain circumstances, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Accrual Period may result in the Rate of Interest for the last preceding Interest Accrual Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page or, in the case of Reset Notes, the application of the previous reset Rate of Interest for a preceding Reset Period, or for the First Reset Rate of Interest, the application of the Initial Rate of Interest applicable to such Notes on the Interest Commencement Date or a rate based on the Mid-Swap Fallback Rate.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the UK Benchmarks Regulation and/or the EU Benchmarks Regulation reforms and the possible application of the benchmark replacement provisions of the Notes in making any investment decision with respect to any Notes referencing a benchmark.

**1.1.4 *The market continues to develop in relation to risk free rates (including overnight rates) as reference rates***

Where the applicable Final Terms for a Series of Floating Rate Notes identifies that the Rate of Interest for such Notes will be determined by reference to SONIA, SOFR or €STR, the Rate of Interest will be determined on the basis of the relevant reference rate (as further described in the Terms and Conditions of the Notes). All such rates are based on ‘overnight rates’. Overnight rates differ from interbank offered rates in a number of material respects, including (without limitation) that such rates are backwards-looking, risk-free overnight rates, whereas IBORs are expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending. As such, investors should be aware that overnight rates may behave materially differently as interest reference rates for Notes issued under the



Programme compared to interbank offered rates. The use of overnight rates as reference rates for Eurobonds is subject to continued change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such overnight rates.

Accordingly, prospective investors in any Notes referencing any overnight rates should be aware that the market continues to develop in relation to such rates in the capital markets and their adoption as an alternative to interbank offered rates. Market participants, industry groups and/or central bank-led working groups have explored compounded and weighted average rates and observation methodologies for such rates (including so-called ‘shift’, ‘lag’, and ‘lock-out’ methodologies) and forward-looking ‘term’ reference rates derived from these overnight rates have also been, or are being, developed. The adoption of overnight rates may also see component inputs into swap rates or other composite rates transferring from IBORs or another reference rate to an overnight rate.

The market or a significant part thereof may adopt overnight rates in a way that differs significantly from those set out in the Terms and Conditions of the Notes issued under the Programme. In addition, the methodology for determining any overnight rate index by reference to which the Rate of Interest in respect of certain Notes may be calculated could change during the life of any Notes. Furthermore, the Issuer may in the future issue Notes referencing SONIA, SOFR or €STR that differ materially in terms of interest determination when compared with any previous SONIA-, SOFR- or €STR-referenced Notes issued by it under the Programme. The continued development of overnight rates as interest reference rates for the Eurobond markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise adversely affect the market price of any such Notes issued under the Programme from time to time.

Furthermore, the Rate of Interest on Notes which reference overnight rates is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference overnight rates to estimate reliably the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of such Notes. Further, in contrast to IBOR-based Notes, if Notes referencing an overnight rate become due and payable as a result of an Event of Default under Condition 10 or Condition 11 (as applicable), or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of such Notes shall only be determined immediately prior to the date on which the Notes become due and payable.

In addition, the manner of adoption or application of overnight rates in the Eurobond markets may differ materially when compared with the application and adoption of the same overnight rates for the same currencies in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of overnight rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing overnight rates.

Investors should carefully consider these matters when making their investment decision with respect to any such Notes.

#### ***1.1.5 The Notes are subject to restrictions on sale and resale***

The Issuer has not registered, and will not register, the Notes under the Securities Act or any other applicable securities laws. Accordingly, the Notes are subject to certain restrictions on resale and other transfer thereof as set forth in the section entitled “*Subscription and Sale*”. As a result of these restrictions, the Issuer cannot be certain of the existence of a secondary market for the Notes or the liquidity of such a market if one develops. Consequently, a holder of Notes and an owner of beneficial

interests in those Notes must be able to bear the economic risk of their investment in the Notes for the term of the Notes.

***1.1.6 Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued***

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a nominal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a nominal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

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

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Base 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 Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

***1.1.8 The Terms and Conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders***

The Terms and Conditions of the Notes contain provisions for calling meetings (which may be a physical meeting or may instead be held by way of audio or video conference call) of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Trust Deed also provides that a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the relevant Notes for the time being outstanding, or consent given by way of electronic consents through the relevant clearing systems by or on behalf of the holders of not less than three-fourths in nominal amount of the relevant Notes for the time being outstanding, shall also be effective as an extraordinary resolution binding on all Noteholders, whether or not such Noteholders voted voting in favour of the relevant resolution.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the

Notes or (ii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 14. In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments or Benchmark Replacement Conforming Changes in the circumstances and as otherwise set out in Condition 4.4 without the consent of the Noteholders.

**1.1.9 *In respect of any Notes issued as Sustainable Notes, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor.***

*No assurance that Sustainable Notes will satisfy any investor requirements or expectations*

The Final Terms relating to any specific Tranche of Notes may provide that such Notes are intended to be ‘Sustainable Notes’, which may include, *inter alia*, sustainable, green, environmental and/or social Notes (together, **Sustainable Notes**). The Issuer intends to allocate an amount equal to the net proceeds from any issue of Sustainable Notes to advance loans to the Issuer’s customers on a targeted basis for the purposes of the financing and/or refinancing by such customers of assets, projects and expenditures with a positive sustainability impact, which may include sustainable, environmental, green and/or social projects (together, **Eligible Sustainable Projects**), in line with any sustainability framework(s) that the Issuer may publish from time to time, and/or which the Issuer expects will substantially adhere to the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines (as applicable) as published by the International Capital Markets Association (ICMA) from time to time (together, the **Principles**).

If the use of such proceeds is a factor in a prospective investor’s decision to invest in Sustainable Notes, prospective investors should consult with their legal and other advisers before making an investment in any such Sustainable Notes and must determine for themselves the relevance of such information for the purpose of any investment in such Sustainable Notes, together with any other investigation such investor deems necessary. In particular, no assurance is given by the Issuer, the Arranger or the Dealers that the use of such amounts advanced by the Issuer to customers for the purposes of financing or refinancing any projects which the Issuer has identified as Eligible Sustainable Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, green, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Sustainable Projects.

*No formal or consensus definition of a ‘sustainable’ (or similar) security*

There is currently no clearly defined legal, regulatory or other definition of a “sustainable note” or market consensus as to what attributes are required for a particular asset or project to be classified as ‘green’, ‘environmental’, ‘sustainable’, ‘social’ or any similar label, nor can any assurance be given that such a clear definition or consensus will develop over time. A basis for the determination of such a definition has been established in the EU with the publication in the Official Journal of the EU on 22 June 2020 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (the **Sustainable Finance Taxonomy Regulation**) on the establishment of a framework to facilitate sustainable investment (the **EU Sustainable Finance Taxonomy**). The EU Sustainable Finance Taxonomy is subject to further development by way of the implementation by the European Commission through delegated regulations of technical screening criteria for the environmental objectives set out in the Sustainable Finance Taxonomy Regulation. Accordingly, no assurance is or can be given by the Issuer, the Arranger or the Dealers that the eligibility criteria for Eligible Sustainable Projects will satisfy any requisite criteria determined under the Sustainable Finance Taxonomy Regulation or within the EU Sustainable Finance Taxonomy at any time, or that any regime

implemented in the UK (if any) for issuing 'green', 'environmental', 'sustainable' or other equivalently-labelled securities will align with the European (or any other) framework for such securities.

*No assurance that Eligible Sustainable Projects will be completed or meet their objectives*

Furthermore, there can be no assurance that any Eligible Sustainable Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer when making its assessment whether or not to apply any proceeds of Sustainable Notes (or amounts equal thereto) to such Eligible Sustainable Project.

Accordingly, no assurance is or can be given by the Issuer, the Arranger or the Dealers to investors in Sustainable Notes that any projects or uses the subject of, or related to, any Eligible Sustainable Projects will meet any or all investor expectations regarding such 'green', 'environmental', 'sustainable', 'social' or other equivalently-labelled performance objectives or that any adverse environmental, green, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Sustainable Projects.

*No obligation on the Arranger or Dealers to verify Eligible Sustainable Projects or monitor the use of proceeds of Sustainable Notes and Noteholders shall have no recourse to them*

Neither the Arranger nor any Dealer is responsible for (i) any assessment of any eligibility criteria relating to Sustainable Notes, (ii) any verification of whether the relevant advance of loans by the Issuer or the Eligible Sustainable Projects will satisfy the relevant eligibility criteria, (iii) the monitoring of the use of proceeds (or amounts equal thereto) in connection with the issue of any Sustainable Notes, (iv) the allocation of the proceeds by the Issuer to particular Eligible Sustainable Projects, (v) any assessment of the Eligible Sustainable Projects criteria or (vi) the contents of any sustainable notes framework developed by the Issuer or any second party opinion or certificate thereon, and no investor in any Notes will have any recourse to the Arranger or any of the Dealers in connection therewith.

*No assurance of suitability or reliability of any second party opinion*

In addition, no assurance or representation is given by the Issuer, the Arranger or the Dealers as to the suitability or reliability for any purpose whatsoever of any opinion, certification or report of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Sustainable Notes and/or any sustainability framework established by the Issuer, and in particular with any Eligible Sustainable Projects to fulfil any environmental, green, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification will not be, and shall not be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, and should not be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any Sustainable Notes. Any such opinion or certification will only be current as of the date on which that opinion is initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in any Sustainable Notes. As at the date of this Base Prospectus, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

The Noteholders will have no recourse against the Issuer, the Arranger or any of the Dealers or the provider of any such opinion or certification for the contents of any such opinion or certification. A withdrawal of any such opinion or certification may affect the value of any Sustainable Notes, may result in the delisting of such Sustainable Notes from any dedicated 'green', 'social' or 'sustainable' or other equivalently-labelled segment of any stock exchange or securities market and/or may have consequences for certain investors with portfolio mandates to invest in green, social, sustainable or other equivalently-labelled assets.

*No assurance that Sustainable Notes will be admitted to trading on any dedicated sustainable (or similar) segment of any stock exchange or market, that any admission obtained will be maintained or that admission of Sustainable Notes to any such segment will indicate that any particular objectives or investment criteria of any investor will be met*

If any Sustainable Notes are listed or admitted to trading or otherwise displayed on any dedicated 'green', 'environmental', 'sustainable', 'social' or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Arranger or the Dealers that such listing or admission or display satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, green, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Sustainable Projects or the funding thereof by the Issuer. Furthermore, it should be noted that the criteria for any such listing or admission to trading or display may vary from one stock exchange or securities market to another. No representation or assurance is given or made by the Issuer, the Arranger or the Dealers that any such listing or admission to trading or display will be obtained in respect of any Sustainable Notes or, if obtained, that any such listing or admission to trading or display will be maintained during the life of any Sustainable Notes. The criteria for acceptance onto any such market may change from time to time. In the event of any actual or anticipated removal of the Notes from any such market, or if access to any such market is sought and refused, that could have a material adverse effect on the market price of any Sustainable Notes.

*No obligation or assurance that an amount equal to the proceeds of issue of Sustainable Notes will be applied for the purposes of financing or refinancing Eligible Sustainable Projects, and any failure in application of such proceeds (or equal amounts) will not constitute a default or otherwise enable Noteholders to take any enforcement action against the Issuer.*

While it is the intention of the Issuer to apply an amount equal to the net proceeds of any Sustainable Notes for advancing loans to customers on a targeted basis for the purposes of financing and/or refinancing Eligible Sustainable Projects, the Issuer will be under no contractual obligation to do so (including that the Terms and Conditions of Sustainable Notes will not contain any such requirement on, or covenant by, the Issuer nor any event of default should the Issuer fail to apply the proceeds or related amounts for such purpose) and further there can be no assurance that the relevant loans advanced by the Issuer, or the project(s) or use(s) the subject of, or related to, any Eligible Sustainable Projects will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly such amounts will be totally or partially disbursed for such Eligible Sustainable Projects.

*The availability of Notes qualifying as prudential capital or MREL to absorb losses of the Issuer or the Group will not be affected by their characterisation as Sustainable Notes, and the characterisation of Notes as Sustainable Notes does not affect the status of such Notes in terms of ranking or subordination*

The proceeds of issue of Sustainable Notes which are eligible to count as Tier 2 capital and/or MREL of the Issuer will be available to absorb losses of the Issuer or the Issuer and its subsidiaries taken as a whole (the **Group**) to the same degree and in the same manner as Tier 2 and/or MREL Notes which are not Sustainable Notes. Notes issued as Sustainable Notes will be subject to bail-in and resolution measures available under the Banking Act 2009 in the same way as any other Notes issued under the Programme. Further, investors should note that where Sustainable Notes qualify for inclusion in the own funds and eligible liabilities of the Issuer and/or the Group, the prudential and resolution rules will apply to those Sustainable Notes in the same way as they apply to other Notes issued under the Programme. Sustainable Notes intended to form part of the own funds and eligible liabilities of the

Issuer and/or the Group will not be issued with any features which undermine their ability to absorb losses in compliance with the prevailing prudential and resolution rules, and neither the Sustainable Notes nor the proceeds of issue thereof will be afforded any special treatment or enhanced protections as a result of them being Sustainable Notes. Subordinated Notes and Senior Non-Preferred Notes will continue to be subject to lower priority ranking than other debts of the Issuer, and the other risks applicable to Senior Preferred Notes, Senior Non-Preferred Notes and Subordinated Notes as described elsewhere in this section “*Risk Factors*” – including with respect to loss absorption as a result of bail-in or write down shall apply to such irrespective of whether or not such Notes are Sustainable Notes.

The proceeds of issue of Notes that qualify as own funds and eligible liabilities of the Issuer and/or the Group will be available to cover all losses of the Issuer and/or the Group, regardless of whether such Notes are Sustainable Notes and regardless of whether the losses stem from the loans advanced by the Issuer out of the proceeds of issue of such Sustainable Notes or under any other green, social or sustainable assets of the Group.

*Noteholders have no recourse to the Issuer, and the Issuer shall not have any obligations, in the event that the proceeds of issue of Sustainable Notes or amounts equal thereto are not applied on the basis described herein*

Any event or failure by the Issuer to apply an amount equal to the net proceeds of any issue of Sustainable Notes to advance loans to customers to finance and/or refinance any Eligible Sustainable Projects, and/or any failure by any such customer to apply those funds to Eligible Sustainable Projects as aforesaid, and/or withdrawal of any opinion or certification in connection with any Sustainable Notes, or any opinion or certification attesting that the Issuer or any of its customers is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any Sustainable Notes no longer being listed or admitted to trading on any stock exchange or securities market or any particular segment thereof as aforesaid and/or any failure by the Issuer to provide or publish any reporting or any impact assessment on the use of proceeds (or amounts equal thereto) from any issue of Sustainable Notes will not:

- (i) give rise to any claim of a Noteholder against the Issuer, the Arranger and/or any Dealer;
- (ii) constitute an Event of Default under the Sustainable Notes or a breach or violation of any term thereof, or constitute a default by the Issuer for any other purpose, or permit the Trustee or any Noteholder to accelerate the Sustainable Notes or take any other enforcement action against the Issuer;
- (iii) lead to a right or obligation of the Issuer to redeem the Sustainable Notes or be a relevant factor for the Issuer in determining whether or not to exercise any optional redemption rights in respect of any Sustainable Notes or give any Noteholder the right to require redemption of its Notes;
- (iv) affect the qualification of Sustainable Notes which are also Subordinated Notes or Senior Non-Preferred Notes (as the case may be) as Tier 2 Capital or as eligible liabilities or loss absorbing capacity instruments (as applicable);
- (v) otherwise affect or impede the ability of the Issuer to apply the proceeds of such Sustainable Notes to cover losses in any part of the Group; or
- (vi) result in any step-up or increased payments of interest, principal or any other amounts in respect of any Sustainable Notes, or otherwise affect the terms and conditions of any Sustainable Notes.

However, such event of failure may adversely affect the reputation of the Issuer and the Group and could have a material adverse effect on the value of such Sustainable Notes and also potentially the value of

any other Notes, including (without limitation) Notes which are intended to finance the Group's lending for Eligible Sustainable Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Furthermore, any failure by the Issuer or the Group to meet any sustainability targets it may be required to meet or may set itself from time to time shall not constitute an event of default under any Sustainable Notes or otherwise result in any Sustainable Notes being redeemed prior to their maturity date.

*No link between Sustainable Notes and any Eligible Sustainable Projects funded out of the proceeds of issue thereof*

Amounts of interest, principal or other amounts payable in respect of any Sustainable Notes will not be impacted by the performance of the Eligible Sustainable Projects funded out of the proceeds of issue (or amounts equal thereto) of such Sustainable Notes or by any other Eligible Sustainable Projects or other green, social or sustainable assets of the Issuer or the Group.

Further, the tenor of the amounts advanced by the Issuer to customers for the purposes of financing or refinancing Eligible Sustainable Projects may not match the maturity date of the Sustainable Notes issued to fund such advances. The subsequent redemption of relevant loans advanced by the Issuer, or the project(s) or use(s) the subject of, or related to, any Eligible Sustainable Projects before the maturity date of any Sustainable Notes issued to fund such advances shall not lead to the early redemption of such Sustainable Notes or any other Notes nor create any obligation or incentive of the Issuer to redeem the Sustainable Notes at any time or be a factor in the Issuer's determination as to whether or not to exercise any early redemption rights it may have from time to time.

*Material adverse impact on trading and/or market price*

If any of the risks outlined in this risk factor materialise, this may have a material adverse effect on the value of such Sustainable Notes and also potentially the value of any other Notes which are intended to finance the Issuer's lending for Eligible Sustainable Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose (including, without limitation, if such investors are required to dispose of their Sustainable Notes as a result of such Notes not meeting any investment criteria or objectives set by or for such investor, which could lead to increased volatility and/or material decreases in the market price of Sustainable Notes).

***1.1.10 The Terms and Conditions of the Notes may be modified pursuant to a restructuring plan between the Issuer and certain creditors without the consent of investors***

Where the Issuer encounters, or is likely to encounter, financial difficulties that are affecting, or will or may affect, its ability to carry on business as a going concern, it may propose a Restructuring Plan (a **Plan**) with its creditors under Part 26A of the Companies Act 2006 (introduced by the Corporate Insolvency and Governance Act 2020) to eliminate, reduce, prevent or mitigate the effect of any of those financial difficulties. Should this happen, creditors whose rights are affected are organised into creditor classes and can vote on any such Plan (subject to being excluded from the vote by the English courts for having no genuine economic interest in the Issuer). Providing that one class of creditors (who would receive a payment, or have a genuine economic interest in the Issuer) has approved the Plan, and in the view of the English courts any dissenting class(es) who did not approve the Plan are no worse off under the Plan than they would be in the event of the "relevant alternative" (such as, broadly, liquidation or administration), then the English court can sanction the Plan where it would be a proper exercise of its discretion. A sanctioned Plan is binding on all creditors and members, regardless of whether they approved it. Any such sanctioned Plan in relation to the Issuer may, therefore, adversely affect the rights of Noteholders and the price or value of their investment in the Notes, as it may have the effect of modifying or disapplying certain terms of the Notes (by, for example, writing down the nominal amount

of the Notes, modifying the interest payable on the Notes, the maturity date or dates on which any payments are due or substituting the Issuer).

## **1.2 Risks related to the structure of a particular issue of Notes**

### ***1.2.1 If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return***

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect, or is perceived to be able to elect, to redeem Notes, the market value of those 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.

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

In addition to any optional redemption right of the Issuer pursuant to Condition 5.5, Notes may also be redeemable at the option of the Issuer (subject, in the case of Senior Non-Preferred Notes and Subordinated Notes, to compliance with applicable prudential rules) (i) upon certain changes in the tax treatment of the Notes, (ii) in the case of Subordinated Notes, following the occurrence of a Regulatory Event; and (iii) in the case of Senior Non-Preferred Notes, following the occurrence of a Loss Absorption Disqualification Event. The circumstances in which any of these events giving rise to a redemption right may occur may be difficult to predict, and are based on factors outside the Issuer's control.

Any proposed changes in law or regulation which may affect the Issuer's ability to redeem any Notes may impact the market price of such Notes, whether or not those proposed changes materialise, or if the relevant proposals are ultimately implemented in a form other than that originally proposed. If any events or circumstances occur such that the Issuer may elect to redeem the Notes, or if the market anticipates that any such events or circumstances may occur, the market value of the relevant Notes generally will not rise substantially above the price at which they can be redeemed, and this also may be true prior to any redemption period.

### ***1.2.2 Substitution and variation of Senior Non-Preferred Notes following a Loss Absorption Disqualification Event***

If so specified in the applicable Final Terms, the Issuer may, following a Loss Absorption Disqualification Event in respect of any Series of Senior Non-Preferred Notes, without the need for any consent of the Noteholders, substitute all (but not some only) of such Series of Senior Non-Preferred Notes for, or vary the terms of such Series so that they remain or become, Loss Absorption Compliant Notes. The Loss Absorption Compliant Notes are required to have terms such that they rank as part of the class of Secondary Non-Preferential Debts; this is the case whether or not the Senior Non-Preferred Notes had become a part of the class of Ordinary Non-Preferential Debts as a result of the relevant Loss Absorption Disqualification Event.

While Loss Absorption Compliant Notes are, subject to such ranking requirement, otherwise required to have terms which are not materially less favourable to Noteholders than the terms of the relevant Senior Non-Preferred Notes (as reasonably determined by the Issuer in consultation with an independent adviser of recognised standing), no assurance can be given that any such substitution or variation will



not adversely affect any particular holder. In addition, the tax and stamp duty consequences of holding such Loss Absorption Compliant Notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the Senior Non-Preferred Notes prior to such substitution or variation.

### **1.2.3 *Limitation on gross-up obligation under the Subordinated Notes and Senior Non-Preferred Notes***

The Issuer's obligation to pay additional amounts in respect of any withholding or deduction in respect of taxes under the terms of each Series of Subordinated Notes and Senior Non-Preferred Notes applies only to payments of interest due and paid under such Notes and not to payments of principal (which term, for these purposes, includes any premium, Final Redemption Amount, Early Redemption Amount and Optional Redemption Amount and any other amount (other than interest) payable in respect of such Notes).

Accordingly, if any such withholding or deduction were to apply to any payments of principal under any Series of Subordinated Notes or Senior Non-Preferred Notes, holders of such Notes would, upon repayment or redemption of such Notes, be entitled to receive only the net amount of such redemption or repayment proceeds after deduction of the amount required to be withheld. Therefore, holders may receive less than the full amount due under such Notes, and the market value of such Notes may be adversely affected as a result.

## **1.3 Risks related to the markets generally**

### **1.3.1 *The value of Fixed Rate Notes may be adversely affected by movements in market interest rates***

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

### **1.3.2 *If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate (or vice versa), or are Reset Notes, this may affect the secondary market and the market value of the Notes concerned***

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that may convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to effect a conversion, and any conversion of the interest basis, may affect the secondary market and the market value of the Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates and could affect the market value of an investment in such Notes. Furthermore, if any Notes are issued upon terms providing for automatic conversion of the interest rate on any Notes from a fixed rate to a floating rate or *vice versa*, this may also affect the secondary market and the market value of the Notes concerned if the rate or basis to which the interest rate is required to switch is lower than the interest rate prevailing up to such time.

In the case of any Series of Reset Notes, the rate of interest on such Reset Notes will be reset by reference to the Reset Reference Rate, as adjusted for any applicable margin, on the reset dates specified in the relevant Final Terms. This is more particularly described in Condition 4.3. The reset of the rate of interest in accordance with such provisions may affect the secondary market for and the market value of such Reset Notes. Following any such reset of the rate of interest applicable to the Notes, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest on the relevant Reset Notes may be lower

than the Initial Rate of Interest, the First Reset Rate of Interest and/or any previous Subsequent Reset Rate of Interest.

***1.3.3 Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates***

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

***1.3.4 An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which investors could sell their Notes***

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although the Issuer has applied to admit the Notes issued from time to time to listing on the Official List and to admit them to trading on the London Stock Exchange's main market, the Issuer cannot guarantee that the Notes will be accepted for listing or admitted to trading or that an active trading market will develop. Accordingly, the Issuer cannot guarantee the development or liquidity of any trading market for the Notes. If a market for the Notes does develop, it may not be very liquid and may be sensitive to changes in financial markets. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This may in particular be the case should the Issuer be in financial distress, which may result in any sale of the Notes having to be at a substantial discount to their nominal amount.

***1.3.5 If investors hold Notes which are not denominated in the investors' home currency, they will be exposed to movements in exchange rates adversely affecting the value of their holding. 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 the Specified Currency (as defined below). 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency 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 the Specified Currency 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.

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

The credit ratings of the Programme 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 or the Notes will generally affect the market value of the Notes. These credit ratings could change due to a wide range of factors. Further, one or more credit rating agencies may from time to time release unsolicited credit ratings reports in relation to the Notes without the consent or knowledge of the Issuer. The Issuer does not have any control over such reports or analyses and any adverse credit rating of any Notes could adversely affect the value of Notes.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA 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 third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country 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, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market.

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. Any credit rating downgrade, suspension or withdrawal could negatively impact the value of the Notes.

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

### ***2.1 The UK Economy***

The Issuer's business and prospects are largely driven by the UK mortgage, savings and personal current account markets and the level of interest rates, which in turn are driven by the UK economy, the outlook

for which is inherently uncertain. Consequently, the Issuer is subject to inherent risks arising from general economic conditions in the UK but also indirect risks arising from volatility in global financial markets in the Eurozone and elsewhere.

The Issuer offers a range of banking and financial products and services to UK retail customers with its business activities concentrated in the UK retail deposit and residential mortgage markets. Under current building society legislation, the Issuer's ability to diversify its business is limited. Accordingly, a decline in the UK economy or the predominantly retail markets in which the Issuer operates could have a material adverse impact on its financial performance and business operations. The Issuer is also directly and indirectly subject to inherent risks arising from general economic conditions in the UK, global macro-economic conditions and geopolitical conditions in its economies, particularly the Eurozone.

Domestic and international conditions are subject to fluctuations which can adversely affect the Issuer's operating performance, financial conditions and/or prospects, through a wide range of potential channels, including but not limited to; changes in unemployment levels, rates of inflation, level of interest rates, consumer confidence, the state of the UK housing market (including house prices), counterparty risk and the availability and cost of credit in wholesale and retail markets.

Such fluctuations can occur as a result of different types of shocks, which in recent years have included global financial crises, the Covid-19 pandemic and increased geopolitical tensions and conflict. Furthermore, potential sources of future shocks are many and varied and often difficult to foresee in advance.

Economic conditions may also be affected by long-term structural changes such as demographic shifts and/or climate change, as well as by changes to government or regulatory policies domestically or globally. The latter may include significant changes to monetary, fiscal or macro-prudential policies which could have a negative impact on the Issuer's markets or wider economic conditions. Political uncertainty and/or significant changes to government policy could also affect the Issuer's markets and/or wider economic prospects. For example, the UK's exit from the European Union is likely to have implications for the UK's trading relationships and wider economic performance for many years to come.

There has been significant market turbulence following the Government "mini-Budget" announcement in late September. Sterling fell to all-time lows against the dollar while swap rates surged. The market volatility was triggered by investor unease at the prospect of large unfunded tax cuts that weaken the public finances and entail a significant increase in gilt supply at a time when the Bank of England is raising its Bank Rate to bring down inflation, and is due to start reducing the size of its balance sheet by selling government bonds. The volatility was exacerbated by the emergence of financial strains at some UK pension funds, which was triggered by the sharp increase in gilt yields, and prompted the Bank of England to intervene in the long dated gilt market for a period due to financial stability concerns.

Market conditions appeared to improve in mid-October, as the fiscal stimulus was pared back. However, market turbulence could re-emerge as the scope for policy errors is large and the political backdrop remains uncertain. The UK has a large current account deficit which has to be funded by attracting capital inflows, leaving the UK vulnerable to shifts in sentiment. Investors may continue to attach risk premia to UK assets as a result of recent events and ongoing uncertainty.

There is also an increased risk that the UK sovereign may be downgraded by rating agencies, which could increase funding costs for lenders. If market interest rates remain elevated, it is likely to adversely impact economic activity. As well as restraining demand, higher interest rates could damage the supply side of the economy. If demand and supply sides of the economy both deteriorate, inflation may not decline very much or very quickly, which may also mean that interest rates stay higher for longer.

## 2.2 *Credit risk*

The prevailing level of interest rates and the provision or withdrawal of other accommodative monetary and fiscal policies, which are impacted by factors outside of the Issuer's control, including the fiscal and monetary policies of governments and central banks, as well as UK and international political and economic conditions, affect the Issuer's results of operations, financial condition and return on capital. The Bank of England has started to tighten monetary policy in response to high inflation and a buoyant labour market. While the Bank of England base rate of interest remains quite low by historic standards at 2.25 per cent. as of October 2022, inflation remains considerably above the Bank of England's 2 per cent. target and there is a high degree of risk about how sharply rates might need to increase.

The relatively long period of stimulus measures in the UK and elsewhere has increased uncertainty over the impact of its reduction, which could lead to generally weaker than expected growth, or even contracting gross domestic product, reduced business confidence, higher levels of unemployment or under-employment, adverse changes to levels of inflation, potentially higher interest rates and falling property prices in the markets in which the Issuer operates, and consequently to an increase in delinquency rates and default rates among the Issuer's customers. Moreover, higher prevailing interest rates would affect the Issuer's cost of funding with depositors and creditors, which could adversely affect the Issuer's profitability, to the extent the Issuer's margins decline.

The personal financial services sector in the UK remains heavily indebted and vulnerable to increases in unemployment, rising interest rates and/or falling house prices. Since 2009, both variable and fixed interest rates have been at relatively low levels. Changes in the Bank of England base rate affect interest rates payable on a significant portion of the Issuer's outstanding mortgage loan products over time. Rising interest rates would put pressure on borrowers whose loans are subject to a variable rate of interest, or who following a fixed rate period can only re-mortgage at a higher rate of interest. Such borrowers may experience financial stress in repaying at increased rates in the future, which ultimately may result in higher delinquency rates and losses in the future. Increased unemployment or underemployment could also lead to impacted borrowers being unable to service the loan payments, which would result in higher levels of arrears, thus increasing the Issuer's impairment charges in respect of these portfolios.

The value of the Issuer's mortgage portfolio is also influenced by UK house prices, and a significant portion of the Issuer's revenue is derived from interest and fees paid on the Issuer's mortgage portfolio. A decline in house prices in the UK could lead to a reduction in the recovery value of real estate assets held as collateral in the event of a customer default, and could lead to higher impairment provisions, which could reduce the Issuer's capital and its ability to engage in lending and other income-generating activities. A significant increase in house prices over a short period of time could also have a negative impact on the Issuer's business by reducing the affordability of homes for buyers, which could lead to a reduction in demand for new mortgages. Sustained volatility in house prices could also discourage potential homebuyers from committing to a purchase, thereby limiting the Issuer's ability to grow the residential mortgage portfolio (see the section "*Description of the Society - Residential mortgage lending*" for further information regarding the Issuer's mortgage portfolios).

In addition, the Issuer also has a significant portfolio of buy to let (**BTL**) and legacy mortgages. The BTL market in the UK is predominantly dependent upon yields from rental income to support mortgage interest payments and capital gains from capital appreciation. Falling or flat rental rates and decreasing capital values, whether coupled with higher mortgage interest rates or not, could reduce the potential returns from BTL properties. Furthermore, if the UK government (the **Government**) passes legislation that increases tax burdens or requires costly upgrades to BTL properties, such as proposed legislation that would increase Minimum Energy Efficiency Standards for BTL properties from E to C by 2028, it could reduce potential returns on certain BTL property investments. The Bank of England has also stated that it is considering increasing the regulatory capital requirements of banks holding BTL mortgages on

their balance sheets, although no specific proposals have been made. Higher rates of stamp duty land taxes have gradually been implemented across the UK on the purchase of additional properties, with higher rates applying to persons not resident in the UK in certain circumstances. These factors, and any future changes resulting in higher rates, could make the purchase of BTL properties and/or second homes a less viable investment proposition and reduce the demand for related mortgages, which may also affect the resale value of relevant or similar properties. On 16 June 2022, the Government published a White Paper “*A Fairer Private Rented Sector*” which proposes certain changes in relation to the standard of rented housing, the ability of tenants to challenge rent increases and fetters on the ability of a landlord to terminate a rental agreement where the tenant is not in breach of the contractual terms. It remains to be seen whether the proposals change as they go through the legislative process and what impact that will have, if any, on the performance of the Issuer’s BTL portfolio and, consequently, on the Issuer’s business, financial condition or results of operations.

The Government’s intervention into the housing market through buyer assistance schemes, changes to stamp duty thresholds, enforced or recommended payment holidays or other concessions or allowances on mortgage payments, or indirectly through measures that provide liquidity to the banking sector (as was the case with FLS, TFS and TFSME), may also contribute to volatility in house prices. This could occur, for example, as a result of the sudden end to buyer assistance schemes, which could lead to a decrease in house prices, or due to the extension of funding scheme to the banking sector, which would maintain excess funding liquidity in the mortgage market which has supported a low mortgage interest rate environment, and which could lead to inflation in house prices.

A reduction in UK house prices, or other deterioration in economic conditions, may also have an adverse impact on the Issuer’s Common Equity Tier 1 (**CET1**) ratio. The results of the concurrent stress testing undertaken by the Bank of England, available on the Bank of England’s website, illustrate the impact that certain economic scenarios are projected to have on the Issuer’s capital position. However, existing published results do not include the impact of redeveloped ‘internal ratings based’ (**IRB**) models following the PRA’s updates to SS11/13 ‘*IRB approaches*’ which came into effect from 1 January 2022. These included changes which aim to increase the consistency of IRB model approaches across different firms and, whilst leading to an increase in mortgage risk weights, will act to reduce the volatility of capital requirements across differing economic conditions.

In addition, the UK Financial Policy Committee (**FPC**) took the decision on 20 June 2022 to withdraw its affordability test recommendation with effect from 1 August 2022. Although lenders are not required to make changes as a result of the withdrawal, this decision could impact the Issuer’s assessment of affordability in the medium term.

The future impact of these initiatives on the UK housing market and other regulatory changes or Government programs is difficult to predict. Volatility in the UK housing market occurring as a result of these changes, or for any other reason, could have a material adverse effect on the Issuer’s business, financial condition or results of operations.

## **2.3 Liquidity and Funding**

Retail depositors are a significant source of funding for the Issuer and, under current legislation, a minimum of 50.0 per cent. of the Issuer’s aggregate shares and borrowings (calculated in accordance with the UK Building Societies Act) is required to be in the form of deposits which the Issuer accepts from members of the public and which are classified as “shares” in the Issuer’s balance sheet as they confer member status on the depositors. The Issuer’s retail deposits classified as shares totalled £178 billion as at 4 April 2022, £170 billion as at 4 April 2021, and £160 billion as at 4 April 2020, equal to 69.4 per cent., 73.2 per cent., and 70.8 per cent., respectively, of the Issuer’s total shares and borrowings (for the purposes of the UK Building Societies Act) at each such date.

The ongoing availability of retail deposit funding is dependent on a variety of factors outside the Issuer's control, such as:

- general economic conditions and market volatility;
- the general level of retail deposits in the economy;
- the confidence of retail depositors in the economy in general and in the Issuer in particular;
- the impact of technology and 'Open Banking' as further discussed in “*Competition*”, below;
- the risk that significant portions of the UK savings and private current accounts market move to ‘stablecoins’ or other ‘digital currencies’, as further discussed in “*Competition*”, below;
- the financial services industry specifically; and
- the availability and extent of deposit guarantees, such as under the FSCS.

The maintenance and growth of the Issuer’s lending activities depends in large part on the availability of retail deposit funding on appropriate terms. Increases in the cost of such funding could have a negative impact on the Issuer’s margins and profit. These or other factors could lead to a reduction in the Issuer’s ability to access retail deposit funding on appropriate terms in the future.

Like all major financial institutions, the Issuer is also dependent on the short- and long-term wholesale funding markets for liquidity. Though the Issuer’s dependence on wholesale funding is less than many other financial institutions, due to the requirements of current building society legislation, the Issuer’s business is subject to risks concerning liquidity, which are inherent in financial institutions’ operations. If access to liquidity is constrained for a prolonged period of time, this could affect the Issuer’s profitability.

Under exceptional circumstances, the Issuer’s ability to fund its financial obligations could be negatively impacted if the Issuer is unable to access funding on commercially practicable terms, or at all. The Issuer expects to have sufficient liquidity to meet its funding requirements, in a market-wide stress scenario. However, under extreme and unforeseen circumstances a prolonged and severe restriction on the Issuer’s access to liquidity (including as a result of the withdrawal of government and central bank funding and liquidity support, or a change in the structure, term or cost of any such funding or liquidity support) could increase the Issuer’s cost of funding, resulting in a material adverse effect on the Issuer’s profitability or results of operations. Further, such circumstances could affect the Issuer’s ability to meet its financial obligations as they fall due, meet its regulatory minimum liquidity requirements, or fulfil its commitments to lend.

These risks could 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 Issuer may prove to be inefficient, giving rise to a level of funding cost that is not sustainable in the long term for the Issuer to grow its business or even maintain it at current levels. The Issuer’s ability to access retail and wholesale funding sources on satisfactory economic terms is subject to a variety of factors outside of the Issuer’s control, such as general market conditions, regulatory requirements and loss of confidence in the UK banking system.

The Government has in recent years provided significant support to UK financial institutions. The continuation and extension of Government schemes designed to support lending may increase or perpetuate competition in the retail lending market, resulting in sustained or intensifying downward

pricing pressures and consequent reductions in net interest margins. The Issuer also expects to face continued competition in the retail lending market driven by certain ring-fenced banks as they deploy surplus liquidity in lending markets.

The Issuer expects to face continuing competition for funding, particularly retail funding on which the Issuer is reliant, in the future. Deposit market competition is being driven by smaller lenders with largely non-mortgage loan books whose high asset yields enable them to offer attractive deposit rates. These potential pressures could be exacerbated over time once the sector seeks to replace the funding it obtains from the Bank of England funding schemes. This competition could further increase, impacting the Issuer's funding costs and adversely affecting the Issuer's financial position.

In addition to the factors mentioned above, if sentiment towards banks, building societies and/or other financial institutions operating in the UK, including the Issuer, were to deteriorate, or if the Issuer's ratings and/or the ratings of the sector were to be adversely affected, this may have a material adverse impact on the liquidity and funding of all UK financial services institutions, including the Issuer.

Such a loss of sentiment could also potentially occur as a result of a downgrade to the UK's sovereign rating or loss of confidence in the creditworthiness of the Government more generally.

Any declines in those aspects of the Issuer's business identified by the rating agencies as significant could adversely affect the rating agencies' perception of the Issuer's credit and cause them to take negative ratings actions. Any downgrade in the Issuer's credit ratings could adversely affect its liquidity and competitive position, particularly through cash outflows to meet collateral requirements on existing contracts; undermine confidence in its business; increase its borrowing costs; limit its access to the capital markets; or lead to a loss of customers and counterparties willing to trade with the Issuer.

Any downgrades may also create new obligations or requirements for the Issuer under existing contracts with the Issuer's counterparties. For example, as at 4 April 2022 the Issuer would have needed to provide additional collateral amounting to £1.7 billion in the event of a two notch downgrade (subject to management actions that could be taken to reduce the impact of the downgrades).

## **2.4      *Competition***

The Issuer operates in an intensely competitive UK personal financial services market. The Issuer competes mainly with other providers of personal finance services, including banks, building societies and insurance companies. In addition, recent technological advances have allowed new competitors to emerge both from within the traditional financial services arena and from outside it, and continued advances in technology may lead to further new entrants from the fintech sector.

For example, banks, building societies and other non-bank financial institutions face the risk that payments processing and other banking services could be significantly disrupted by technologies, such as private sector 'stablecoins' and other digital currencies, that require no intermediation. New technologies could require the Issuer to spend more to adapt its products, propositions and infrastructure to ensure it remains competitive and can continue to attract and retain new and existing members respectively. Moreover, the Issuer will need to ensure its brand remains relevant and attractive to its customers in light of both existing and emerging competition.

Each of the main personal financial services markets in which the Issuer operates is mature and relatively slow growing, which intensifies pressure for firms to take market share from competitors if they are to expand.

As a consequence, there is a risk that this will create downward pressure on prices, negatively impacting the Issuer's ability to deliver its strategic income targets and its financial performance. Competition may



also intensify in response to consumer demand, further technological changes, brand relevance and the impact of consolidation amongst the Issuer's competitors.

As a member-owned business, the Issuer is able to provide a financial benefit to its members through the offer of competitive savings and mortgage products. The Issuer's member financial benefit is delivered in the form of differentiated pricing and incentives, which the Issuer quantifies as the sum of its interest rate differential, member reduced fees and incentives. For the year ended 4 April 2022, the Issuer has provided its members with a financial benefit of £325 million (4 April 2021: £265 million) supported by strategic pricing of the Issuer's individual savings accounts (**ISA**) products and the increases in bank base rate during the year which has enabled the Issuer to provide more value to its savings members. A highly competitive mortgage market, however, limited the financial benefit the Issuer could provide for those members.

The Issuer is subject to regulation and possible enforcement action by the Competition and Markets Authority (the **CMA**). The CMA is central to the enforcement of competition law in the UK, including the Competition Act 1998 (the **Competition Act**). The Issuer is not currently subject to any enforcement actions by the CMA.

The CMA launched a full market investigation into competition in the small and medium-sized enterprises (**SME**) banking and personal current account (**PCA**) markets in November 2014 and published its final report on 9 August 2016, followed by the Retail Banking Market Investigation Order 2017 on 2 February 2017. The key final remedies include: the introduction of "Open Banking", the publication of service quality information and customer information prompts. Recommendations were also made regarding improvements to current account switching, monthly maximum charges for PCA overdraft users, overdraft notifications and additional measures to assist small business in comparing the different products available. The FCA has also undertaken market reviews in each of the major retail product markets and introduced remedies to help customers compare products and switch between products and product providers. These and future recommendations could shift the competitive landscape in the sector and have an adverse impact on the Issuer's results.

Additionally, the implementation of the Independent Commission on Banking's recommendation to separate retail banking activities from wholesale and investment banking activities was carried out by large banking groups operating in the UK in 2019 and has reduced the distinctiveness of the building society model, which the Issuer considers to be a competitive advantage. The Issuer is not currently subject to the ring-fencing requirements but this framework has altered the business models of ring-fenced banks and may therefore continue to adversely affect the Issuer's competitive position and that of other mutual institutions. The Issuer believes that ring fencing has trapped surplus deposits on the balance sheets of several major UK retail banks which seek to deploy this liquidity in lending markets, which in the medium term is driving further price competition, particularly in mortgages. This has depressed margins across the UK banking sector and more recently has resulted in some smaller participants stepping back from the market.

The Issuer continues to experience heightened competition across its products, with excess liquidity among its peer group continuing to put pressure on mortgage margins. There are also new entrants looking to compete primarily via digital channels, including well established financial services companies, seeking to gain a share of the current account market. Additionally, the rise of digital banking is changing customer expectations of the availability of banking services. As digital changes make transactions easier and more convenient, the Issuer expects customers to transact more frequently, and in many different ways. The Covid-19 pandemic has further accelerated the digital transformation, and the Issuer invested in building greater capacity and resilience into its payments platform, systems and controls. Upgrading systems comes with some risk, and the Issuer experienced some payments outages linked to the upgrades. The Issuer may not be able to manage service provision ahead of rising

customer expectations or may have competitors who are more successful in meeting demand for digital banking services, both of which may negatively impact the Issuer's brand.

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, it 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 the Issuer's business, financial condition or results of operations.

## **2.5 Financial Performance**

The Issuer seeks to maintain a secure and dependable business for its members through, amongst other things, generating a level of profit sufficient to meet regulatory capital and future business investment requirements and focusing on how the Issuer spends members' money through driving a culture of efficiency.

As a member-owned mutual organisation, the Issuer aims to make the right level of profit to maintain its financial strength and invest for the future, and the Issuer balances these longer-term priorities with delivering value to its members through better rates, incentives and propositions. In recent years, the Issuer's financial planning and stress testing has focused on parameters that have allowed it to calibrate future performance with a view to achieving the right balance between distributing value to members, investing in the business and maintaining financial strength, including a target profitability range that would enable sustainable capital strength.

Reductions from reprioritisation of investment spend over the medium term, and lower business as usual run costs have been partly offset by restructuring costs as the Issuer took action to reduce its future cost base. However, there can be no assurance that such targeted cost savings will be achieved. Any failure by the Issuer to make sufficient profits to maintain its financial strength and invest for the future and/or to achieve its targeted efficiencies could adversely impact the Issuer's capital ratios and results of operations.

## **2.6 Climate change**

The risks associated with climate change are coming under an increasing focus, both in the UK and internationally, from governments, regulators and large sections of society. These risks include: physical risks, arising from climate and weather-related events of increasing severity and/or frequency; transition risks resulting from the process of adjustment towards a lower carbon economy; and liability and compliance risks arising from litigation or reputational damage as a result of sustainability issues.

Physical risks from climate change arise from a number of factors and relate to specific weather events and longer term shifts in the climate. The nature and timing of extreme weather events are uncertain but they are increasing in frequency and their impact on the economy is predicted to be more acute in the future. The potential impact on the economy includes, but is not limited to, lower GDP growth, higher unemployment and significant changes in asset prices and profitability of industries. Physical risks from climate change also impact the Issuer specifically, including the flood exposure within the Issuer's mortgage book which could lead to a decline in the value of the associated properties. In addition, the Issuer's premises and resilience may also suffer physical damage due to weather events leading to increased costs or lost income for the Issuer.

The move towards a low-carbon economy will also create transition risks, due to potential significant and rapid developments in the expectations of policymakers, regulators and society resulting in policy, regulatory and technological changes which could impact the Issuer directly, as well as have a more

indirect impact due to macroeconomic effects on the UK and the EU's energy import dependency, investment costs, energy costs, industrial competitiveness, GDP and employment. These risks may cause the impairment of asset values and impact defaults among retail customers (including through the ability of customers to repay their mortgages, as well as the impact on the value of the underlying property), which could result in currently profitable business deteriorating over the term of agreed facilities. In addition, energy performance certificate (**EPC**) minimum requirements for privately rented housing are set to increase over coming years, which may impact the viability of some BTL customers' properties.

Helping to address the impact of climate change aligns with the Issuer's mutual purpose and the Issuer is committed to working towards a net-zero carbon emissions future by 2050 at the latest, having joined the Net-Zero Banking Alliance and Glasgow Financial Alliance for Net-Zero last year. Achieving this goal will require, among other things: support in helping its members to green their homes; governments to introduce new policies, incentives and to invest in infrastructure; new market developments; and technological advancements. If these changes, most of which are out of the Issuer's control, do not occur, the Issuer may have difficulty achieving its targets, and may suffer reputational damage as a result.

If the Issuer does not adequately embed the management of risks associated with climate change identified above into its risk framework to appropriately measure, manage and disclose the various financial and operational risks it faces as a result of climate change, or fails to adapt its strategy and business model to the changing regulatory requirements and market expectations on a timely basis, this could have an adverse impact on the Issuer's operations, financial condition and prospects. Furthermore, inadequate climate risk disclosure could result in the loss of the Issuer's investor base as it may not be perceived to be a green investment. Implications of inadequately managing or disclosing climate-related risk or evidencing progress in line with expectations, could also result in potential reputational damage, member attrition or loss of investor confidence.

Governments and regulators may introduce increasingly stringent rules and policies designed to achieve targeted outcomes, which could increase compliance costs for the Issuer, drive asset impairments and result in regulatory fines or other action if the Issuer is unable to implement adequate reforms sufficiently quickly. How the Issuer assesses and responds to these developments and challenges could increase its costs of business, and a failure to identify and adapt its business to meet new rules or evolving expectations, or any perception that it is under-performing relative to its peers, could result in reputational damage and/or risk of legal claims.

## **2.7 Financial Reporting**

Accounting policies and methods are fundamental to how the Issuer records and reports its financial condition and results of operations. The Issuer must exercise judgement in selecting and applying many of these accounting policies and methods so that they comply with International Financial Reporting Standards (**IFRS**).

The Issuer has identified certain accounting policies in the notes to the audited consolidated financial statements for the year ended 4 April 2022 incorporated by reference in this Base Prospectus in respect of which significant judgement is required in determining appropriate assumptions and estimates when valuing assets, liabilities, commitments and contingencies. These judgements relate to the assumptions used in the determination of impairment provisions on customer loans and advances (see note 10 to the audited consolidated financial statements as at and for the year ended 4 April 2022), the estimates underlying its determination of provisions for customer redress (see note 27 to the audited consolidated financial statements as at and for the year ended 4 April 2022) and the assumptions underlying its calculations of retirement benefit obligations (see note 30 to the audited consolidated financial statements as at and for the year ended 4 April 2022).

A variety of factors could affect the ultimate value that is obtained either when earning income, recognising an expense, recovering an asset or reducing a liability. The Issuer has established detailed policies and control procedures that are intended to ensure that these judgements (and the associated assumptions and estimates) are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding the Issuer's judgements and the estimates pertaining to these matters, the Issuer cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future and any such changes or restatements could be material in nature.

From time to time, the International Accounting Standards Board (the **IASB**) proposes changes to the IFRS, as adopted for use within the UK. These standards govern the preparation of the Issuer's financial statements. These changes could materially impact how the Issuer records and reports its financial condition and results of operations. In some cases, the Issuer could be required to apply a new or revised standard retroactively, resulting in restating prior period financial statements.

In addition, in response to the Covid-19 pandemic, on 28 April 2020 the European Commission announced a proposed banking package of reforms which includes (amongst other things) a two-year extension of these current transitional arrangements for mitigating the impact of IFRS 9 provisions on regulatory capital. These measures allow banks and building societies to add back to their regulatory capital any increase in new ECL provisions incurred as of 1 January 2020 and recognised in 2020 and 2021 for financial assets which have not defaulted. The proposals were approved in the European Parliament plenary session on 9 June 2020 with phased transitional arrangements ending by 2025.

In light of the Covid-19 pandemic, there is increased risk of material misstatement of ECL provisions due to the degree of judgement and inherent uncertainty in the assumptions underlying the Covid-19 related addition to the modelled provision. The European Commission and the PRA have also provided guidance as to the interpretation and flexibility of certain prudential and accounting requirements with respect to non-performing loans and other assets in the context of Covid-19 generally and also specifically in the context of payment holidays and other allowances and concessions afforded to borrowers, including guidance on how banks and building societies might approach key judgements as to whether and when borrowers should be treated as having suffered a significant increase in credit risk (**SICR**) or credit impaired for accounting purposes under the expected credit loss assessments under IFRS 9.

The IASB may make other changes to financial accounting and reporting standards that govern the preparation of the Issuer's financial statements, which it may adopt prior to the date on which such changes become mandatory if it determines this to be appropriate, or which it may be required to adopt. Any such change in the Issuer's accounting policies or accounting standards could materially affect the Issuer's reported financial condition and results of operations.

## **2.8 Market Risk**

Market risk is the risk that the net value of, or net income arising from, the Issuer's assets and liabilities is impacted as a result of changes in market prices or rates, including interest rates or foreign exchange rates. 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 the Issuer's investment and liquidity portfolios. Although the Issuer has implemented risk management methods designed to mitigate and control 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 the Issuer's financial performance and business operations. Unanticipated market risks could have a material adverse effect on the Issuer's financial performance or results of operations.

## **2.9 Pension Risk**

The Issuer has funding obligations to several defined benefit pension schemes. Pension risk is defined as the risk that the value of the pension schemes' assets will be insufficient to meet the estimated liabilities, creating a pension deficit. Pension risk can negatively impact the Issuer's capital position and may result in increased cash funding obligations to the pension schemes.

In November 2020, the Issuer and the Trustee of the Nationwide Pension Fund (the **Fund**) entered into an arrangement whereby the Issuer has agreed to provide collateral in the form of retained bonds issued under the Issuer's Silverstone securitisation vehicle to provide additional security to the Fund. The Fund would have access to these notes in the case of certain events such as insolvency of the Issuer. Following the closure of the Fund to future accrual on 31 March 2021, there were no employer contributions made in respect of future benefit accrual during the year. There were also no employer deficit contributions into the Fund for the year ended 4 April 2022 and none are scheduled for the year ending 4 April 2023. The effective commencement date of the Fund's next Triennial Valuation is 31 March 2022 and is expected to be completed in June 2023. Employer deficit contributions of £1 million were made in respect of the Group's defined benefit scheme in its Nationwide (Isle of Man) Limited subsidiary.

In January 2022, the Trustee completed a pensioner buy-in (the purchase of an insurance policy that covers all risks, i.e. market risk and longevity risk) for the smaller Cheshire & Derbyshire section of the Fund.

Any change in the contributions which the Issuer is required to pay in respect of its defined benefit pension schemes, including as a result of a future Triennial Valuation of the Fund, could have a negative impact on the Issuer's results of operations. In addition, any IAS19 accounting deficit in the Issuer's defined benefit pension scheme would be reflected in its CET1 capital. Accordingly, an increase in deficit can result in a reduction in the Issuer's capital ratios.

Furthermore, the Fund's position can also be impacted by volatility in investment returns from its assets and the value of its liabilities. The Fund holds a significant proportion of return-seeking assets, including equities and credit investments. Return seeking assets are expected to outperform liabilities in the long-term, but they are riskier and volatile in the short to medium-term. There is also a risk that the Fund's liabilities increase to a level which is not supported by asset performance, whether through discount rate changes, increases in long-term inflation expectations, or increases in the life expectancy (longevity) of Fund members.

## **2.10 Systemic Risk**

Given the high level of interdependence between financial institutions, the Issuer is and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions. Within the financial services industry, the default of any one institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, as was the case after the bankruptcy of Lehman Brothers in 2008, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by the Issuer or by other

institutions. This risk is sometimes referred to as “systemic risk” and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom the Issuer interacts on a daily basis. Systemic risk could have a material adverse effect on the Issuer's ability to raise new funding and on its business, financial condition, results of operations, liquidity and/or prospects.

### **3 RISKS RELATED TO REGULATIONS/THE REGULATORY ENVIRONMENT**

#### **3.1 *The Society is subject to extensive legislation and regulation***

The Issuer conducts its business subject to ongoing regulation by the PRA and the FCA, which oversee the Issuer's prudential arrangements and the sale of financial products, including, for example, residential mortgages, commercial lending, savings, investment, consumer credit 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. The financial sector has seen an unprecedented volume and pace of regulatory change in the years following the global financial crisis, compounded by the UK's exit from the European Union, and significant resources have been required to assess and implement necessary changes. If the Issuer fails to comply with any 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 continues to witness significant levels of Government intervention in the banking, personal finance and real estate sectors. For example, on 27 July 2022, the FCA confirmed its plans to bring in a new Consumer Duty which will set higher and clearer standards of consumer protection across financial services and require firms to put their customers' needs first. The Consumer Duty is constituted of four high-level outcomes:

- a new Principle for Businesses and a new individual conduct rule, applicable to the Issuer, to “deliver good outcomes for retail customers”,
- three cross-cutting rules to (i) act in good faith, (ii) avoid foreseeable harm to retail customers, and (iii) support those customers to pursue their financial objectives.

These four outcomes focus on products and services, price and value, consumer support and consumer understanding. Firms must implement the Consumer Duty for all new and existing products and services that are currently on sale by 31 July 2023. The rules will be extended to closed book products (i.e. those which are no longer on sale) by 31 July 2024.

The Consumer Duty also includes requirements for firms to end unfair charges and fees, make it as easy to switch or cancel products as it was to take them out in the first place, provide helpful and accessible customer support, act quickly to respond to customer queries, provide timely, clear and easily understandable information to customers regarding products and services, provide products and services that are appropriate for their customers, and focus on the real and diverse needs of their customers, including those in vulnerable circumstances, at every stage and in each interaction. Firms will also need to monitor, evidence and report against many of the requirements. There may be added costs associated with making necessary changes in order to ensure that the Issuer is compliant with these new rules. If the Issuer fails to comply with these new rules, there is a risk of an adverse impact on the Issuer's business due to penalties imposed by the FCA, costs and payments associated with any investigations and/or required remediation and potential reputational damage. Future changes in regulation, fiscal or other policies are unpredictable and beyond the Issuer's control and could materially adversely affect the Issuer's business or operations.

A range of other legislative and regulatory changes have been made or proposed which could impose operational restrictions on the Issuer, causing it to raise further capital, increase its expenses and/or otherwise adversely affect its business results, financial condition or prospects. These include, among others, the changes referred to in “*Description of the Society – Regulatory environment*”.

As at the date of this Base Prospectus it is difficult to predict the full effect that any of these changes and proposals will have on the Issuer’s operations, business and prospects. Following the UK’s departure from the EU and the end of the Brexit transition period at the end of 2020, the extent to which the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time, remains to be seen. However, it appears likely that the UK regulatory position will diverge to a material extent from that of the EU in the medium term. Depending on the specific nature of the requirements and how they are enforced, the changes could have a significant impact on the Issuer’s operations, structure, costs and/or capital requirements. Accordingly, the Issuer cannot assure investors that the implementation of any of the foregoing matters will not have a material adverse effect on its operations, business, results, financial condition or prospects.

Furthermore, the Issuer cannot assure investors that any other regulatory or legislative changes or any other Governmental interventions that may have been proposed or which may materialise in the future will not have a material adverse effect on the Issuer’s operations, business, results, financial condition or prospects. While the scope and nature of any such changes are unpredictable, any interventions or regulations designed to increase the protections for UK retail and other customers of banks and building societies, for example through stricter regulation on repossessions and forbearance by mortgage lenders, could materially adversely affect the Issuer’s business or operations.

The Issuer is also subject to a number of proposals and measures targeted at preventing financial crime (including anti-money laundering and terrorist financing). While the Issuer is committed to operating a business that prevents, deters and detects money laundering and terrorist financing in accordance with such requirements, if there are breaches of these measures or existing law and regulation relating to financial crime, the Issuer could face significant administrative, regulatory and criminal sanctions as well as reputational damage which may have a material adverse effect on the Issuer’s operations, financial condition or prospects.

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

In recent years, the FCA has undertaken several studies on the mortgage market and has published advice according to its findings. It is possible that further changes may be made to the FCA’s Mortgages and Home Finance: Conduct of Business sourcebook as a result of current and future reviews, studies and regulatory reforms which could have a material adverse effect on the Issuer’s business, finances or operations. Any failure to comply with these rules may entitle a borrower to claim damages for loss suffered or set-off the amount of the claim against monies owing under a regulated mortgage contract and the new rules may also negatively affect mortgage supply and demand.

### **3.2 *Capital and liquidity requirements***

The Issuer is subject to extensive and evolving regulatory capital and liquidity requirements, as further described in “*Description of the Society – Regulatory environment*”.

Changes to the regulatory capital and liquidity requirements, and/or the prudential framework, under which the Issuer operates could hinder growth by prescribing more stringent requirements than those with which the Issuer currently complies. The Issuer’s capital ratios may be adversely affected not only

by a reduction in its capital (including if it suffers financial losses) but also by changes in the manner in which it is required to calculate its capital and/or the risk-weightings applied to its assets. For example, the Issuer is currently authorised to apply an IRB approach to calculating its risk-weighted assets (RWAs). An IRB approach enables an institution to tailor more closely risk-weights to its particular assets than standardised risk-weights, and accordingly in many cases can be expected to be lower than risk-weights which would apply under a standardised approach. Changes to how the Issuer applies its IRB model, or which may require the Issuer to calculate its risk-adjusted assets on the basis of standardised or loan-to-value-based standardised risk-weights, could have a material adverse impact on the Issuer's capital ratios, even if it remains profitable. In particular, as further described in “*Description of the Society – Regulatory environment – RWA floors and IRB modelling*”, RWA output floors are due to be implemented through a transitional period, expected from 2025 to 2030. In addition, from 1 January 2022, policy statements came into force which changed the industry-wide calibration of IRB models used for calculating RWAs. The new models are designed to ensure less volatility in risk-based capital requirements through periods of economic stress by increasing starting RWAs closer to a through-the-cycle average. As the models are yet to be approved by the PRA, a model adjustment has been made to the Issuer's models to ensure outcomes are consistent with the revised IRB regulations. The impact of this adjustment was a significant increase in the Issuer's RWAs. In line with other industry participants, the Issuer continues to work with the PRA on the precise calibration of the revised IRB models. Although this has reduced the Issuer's CET1 ratio, its reported CET1 ratio remains well in excess of minimum requirements. For further information, please refer to the “*Description of the Society – Regulatory environment – RWA floors and IRB modelling*” section.

In addition, a failure to adequately manage capital, liquidity and the Issuer's MREL requirements could have a material adverse effect on the Issuer. While the Issuer monitors current and expected future capital, liquidity and MREL requirements, including having regard to both leverage and RWA-based requirements, and seeks to manage and plan the Issuer's prudential position accordingly and on the basis of current assumptions regarding future capital and liquidity requirements, there can be no assurance that the Issuer's assumptions will be accurate in all respects or that it will not be required to take additional measures to strengthen its capital or liquidity position.

Effective management of the Issuer's capital and regulatory authorisations is critical to its ability to operate and grow its business and to pursue its strategy. Any change that limits the Issuer's ability to manage its balance sheet and capital resources effectively (including, for example, reductions in profits and retained earnings as a result of credit losses, write-downs or otherwise, increases in RWAs (which may be pro-cyclical under the current capital framework, resulting in risk-weighting increasing in economic downturns), delays in the disposal of certain assets or the inability to raise capital or funding through wholesale markets as a result of market conditions or otherwise) could have a material adverse impact on the Issuer's business, financial condition, results of operations, liquidity and/or prospects.

Furthermore, if the Issuer fails, or is perceived to be likely to fail, to meet its minimum regulatory capital, leverage or, liquidity requirements, or MREL, including in connection with any stress tests performed by the Bank of England or any other relevant authority, this may result in administrative actions or regulatory sanctions. In addition, any actual or perceived weakness relative to the Issuer's competitors could result in a loss of confidence, which could result in high levels of withdrawals from the Issuer's retail deposit base, upon which it relies for lending and which could have a material adverse effect on the Issuer's business, financial position or results of operations.

### **3.3 *The Issuer is exposed to the risk of changes in tax legislation and its interpretation and to increases in the rate of corporate and other taxes.***

The Issuer's activities are principally conducted in the UK and it is therefore subject to a range of UK taxes at various rates. Future actions by the Government to increase tax rates or to impose additional taxes would reduce the Issuer's profitability. Revisions to tax legislation or to its interpretation might



also affect the Issuer's financial condition in the future. In addition, the Issuer is subject to periodic tax audits which could result in additional tax assessments relating to past periods of up to six years being made. Any such assessments could be material which might also affect the Issuer's financial condition in the future.

**3.4 *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.***

There continues to be significant regulatory scrutiny of the sales practices and reward structures that financial institutions have used when selling financial products. No assurance can be given that the Issuer will not incur liability for past, current or future actions, including failure to comply with applicable regulatory requirements, which are determined to have been inappropriate and any such liability incurred could be significant and materially adversely affect its results of operations and financial position. In particular:

- certain aspects of the Issuer's business may be determined by the Bank of England, the PRA, FCA, HM Treasury, the CMA, 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 its business.

The Issuer's practices and procedures relating to the sale and post-sale of financial products may also be assessed or scrutinised in the context of compliance with the Consumer Duty (as described in "*The Society is subject to extensive legislation and regulation*" above).

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 the Issuer or members of its industry generally in the UK High Court or elsewhere. For example, compliance with a Financial Services Authority Policy Statement on "*The Assessment and Redress of Payment Protection Insurance Complaints*" published in 2010 resulted in very significant provisions for customer redress made by several UK financial services providers with respect to Payment Protection Insurance (**PPI**) policies over a number of years.

The Issuer holds provisions for customer redress to cover the costs of remediation and redress in relation to past sales of financial products and ongoing administration, including non-compliance with consumer credit legislation and other regulatory requirements. The Issuer's customer redress charge was £56 million for the year ended 4 April 2022 (year ended 4 April 2021: £87 million charge) relating to issues with historical quality control procedures, past sales and administration of customer accounts, and other regulatory matters.

No assurance can be given that the Issuer will not incur liability in connection with any past, current or future non-compliance with legislation or regulation, and any such non-compliance could be significant and materially adversely affect the Issuer's results of operations and financial position or its reputation.

**3.5**     *The Issuer is subject to wide-ranging regulatory action in the event that it is considered likely to fail and its failure poses a threat to the public interest*

In the UK, the Banking Act introduced a package of minimum early intervention and resolution-related tools and powers which the UK resolution authorities may apply in respect of in-scope UK financial institutions, including the Issuer and its group and provided for special rules for cross-border groups.

These tools and powers broadly align with those applicable to relevant financial institutions in the EEA under the BRRD, although HM Treasury and the Bank of England have already elected to diverge from certain provisions under BRRD following the UK's withdrawal from the EU. Under the Banking Act, substantial powers have been granted to HM Treasury, the Bank of England (including the PRA) and the FCA (together, the **Authorities**) as part of the SRR. These powers enable the Authorities, among other things, to resolve a bank or building society by means of the Stabilisation Options in circumstances in which the Authorities consider its failure has become likely and a resolution is considered to be in the public interest. In respect of UK building societies, the relevant tools available to the Authorities under these Stabilisation Options include:

- (i) modified property transfer powers which also refer to cancellation of shares and conferring rights and liabilities in place of such shares;
- (ii) in place of the share transfer powers, 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; and
- (iii) modified bail-in powers such that exercise of the tool may be immediately preceded by the demutualisation of the building society through the conversion of it into a company or the transfer of all of its property, rights or liabilities to a company.

In each case, the Banking Act grants additional powers to modify contractual arrangements in certain circumstances and powers for HM Treasury to disapply or modify laws (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively.

The Banking Act also provides that the UK as a last resort, after having assessed and used the resolution tools set out above to the maximum extent practicable whilst maintaining financial stability, and where certain other mandatory conditions of the Banking Act have been satisfied, may provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. There can be no assurance that investors in any Notes will benefit from such last resort support even if it were provided.

Secondary legislation which defines the scope of application of the Stabilisation Options under the SRR to certain "banking group companies" came into force on 1 August 2014. The definition of "banking group company" encompasses certain of the Issuer's subsidiaries and affiliates and allows the Stabilisation Options under the SRR and the bail-in stabilisation power to be applied to any of the Issuer's group companies that meet the definition of a "banking group company".

In addition, the Banking Act contains a separate power, often referred to as the "write-down and conversion tool", enabling the Authorities – independently of, or in conjunction with, the use of resolution powers - to cancel or transfer CET1 instruments away from the original owners, or write down (including to nil) an institution's Additional Tier 1 capital instruments and Tier 2 capital instruments (such as the Subordinated Notes), or to convert them into CET1 instruments, if the Authorities consider that the institution or the group is at the "point of non-viability" and certain other conditions are met. The write-down and conversion tool must be applied before any of the Stabilisation Options provided for in the SRR may be used in practice and may be used whether or not the institution

subsequently enters into resolution. Additionally, in respect of building societies, the resolution authority may write-down or convert instruments issued by the building society itself or a successor entity formed through exercise of Stabilisation Options. Subordinated Notes issued under the Programme may be Tier 2 capital instruments, and any such Subordinated Notes could be the subject to the write-down and conversion tool.

The SRR may be triggered prior to the Issuer's insolvency. The purpose of the Stabilisation Options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns. Accordingly, the Stabilisation Options may be exercised if:

- (i) the PRA is satisfied that a relevant entity is failing or is likely to fail;
- (ii) having regard to timing and other relevant circumstances, the Bank of England determines that it is not reasonably likely that (ignoring the Stabilisation Options) action will be taken that will result in the relevant entity no longer failing or being likely to fail;
- (iii) the Bank of England considers the exercise of the Stabilisation Options to be necessary, having regard to certain public interest considerations (such as the stability of the UK financial system, public confidence in the UK banking system and the protection of depositors); and
- (iv) the Bank of England considers that the specific resolution objectives would not be met to the same extent by the winding up of the relevant entity.

It is therefore possible that one or more of the Stabilisation Options could be applied prior to the point at which any insolvency proceedings with respect to the relevant entity could be initiated.

The European Banking Authority (the **EBA**) has published guidelines on the circumstances in which an institution shall be deemed by supervisors and resolution authorities as “failing or likely to fail” within the meaning of the BRRD. While the EBA guidelines are not binding on the Authorities when considering their powers under the Banking Act, the Authorities may continue to have regard to them as part of their deliberations, even after Brexit. The guidelines set out the objective criteria which should apply when supervisors and Authorities make such a determination.

Additionally, HM Treasury has issued a Code of Practice on the special resolution regime, in accordance with sections 5 and 6 of the Banking Act, which supports the legal framework of the SRR, and provides guidance as to how and in what circumstances the Authorities will use the special resolution tools.

Although the Banking Act provides for conditions to the exercise of any resolution powers and the EBA guidelines and HM Treasury Code of Practice set out objective elements which the Authorities may elect to consider when determining whether an institution is failing or likely to fail and which powers to use, it is uncertain how the Authorities would assess such conditions in any particular situation. The relevant Authorities are also not required to provide any advance notice to holders of the Notes of their decision to exercise any resolution power. Therefore, holders of the Notes may not be able to anticipate a potential exercise of any such powers nor the potential effect of any exercise of such powers on the Issuer or the Notes.

### **3.6** *The Issuer is required to pay levies under the FSCS and is exposed to future increases in such levies, which might impact its profits.*

The Financial Services and Markets Act 2000, as amended (the **FSMA**) established 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 – Regulatory environment*”. Based on the Issuer’s share of protected deposits, it paid levies to the FSCS to enable the scheme to meet claims against it.

In common with other financial institutions which are subject to the FSCS, the Issuer also has a potential exposure to future levies resulting from the failure of other financial institutions and consequential claims which arise against the FSCS as a result of such failure.

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 may also arise from discussions at governmental levels around the future design of financial services compensation schemes, such as increasing the scope and level of protection and moving to pre-funding of compensation schemes.

The EU Directive on deposit guarantee schemes (the **DGSD**) requires EU Member States (including, at the time the DGSD was required to be transposed, the UK) to ensure that by 3 July 2024 the available financial means of the deposit guarantee schemes regulated by it reach a minimum target level of 0.8 per cent. of the covered deposits of credit institutions. The schemes are to be funded through regular contributions before the event (ex-ante) to the deposit guarantee schemes (the UK has previously operated an ex-post financing where fees are required after a payment to depositors has occurred). In case of insufficient ex-ante funds, the deposit guarantee scheme will collect immediately after the event (ex-post) contributions from the banking sector and, as a last resort, it will have access to alternative funding arrangements such as loans from public or private third parties. The UK requirements implementing DGSD provide, among other things, that the ex-ante contributions are met by funds already collected under the UK bank levy (with the ability, in the case of insufficient funds, to collect immediate ex-post contributions) and changes to the FSCS including the introduction of temporary high balance deposit protection, up to £1 million, for up to 12 months (protection temporarily extended from six to 12 months in response to the impact of Covid-19) from when the amount was deposited for certain limited types of deposits and changes to the types of depositors that are eligible for compensation. It is possible, as a result of the DGSD as implemented in the UK, that future FSCS levies on the Issuer may differ from those it has incurred historically, and that such reforms could result in the Issuer incurring additional costs and liabilities, which may adversely affect its business, financial conditions and/or results of operations. The DGSD requirements were implemented in the UK before the UK’s exit from the EU and the regime was subsequently amended to reflect the UK’s exit from the EU. Refer to the “*Description of the Society – Regulatory environment - Impact of Brexit*” section for a description of the changes implemented to retained EU legislation so that it works effectively after the end of the transition period on 31 December 2020.

## **4 BUSINESS AND OPERATIONAL RISKS**

### **4.1 *The Issuer's guidelines and policies for risk management may prove inadequate for the risks faced by its business and any failure to properly manage the risks which it faces could cause harm to it and its business prospects.***

The management of financial and operational risks requires, among other things, robust guidelines and policies for the accurate identification and control of a large number of transactions and events. Such guidelines and policies may not always prove to be adequate in practice. The Issuer faces a wide range of risks in its business activities, including, in particular:

- liquidity and funding risk, see “—*Liquidity and Funding*” above;
- credit risk, which is the risk that a borrower or a counterparty fails to pay interest or to repay the principal on a loan or other financial instrument;

- market risks, in particular interest rate risk as well as foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the Issuer's 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 also cause changes in the value of the Issuer's investment and liquidity portfolios. See also, “—*Credit Risk*” and “—*Market Risk*” above
- operational risk, see “—*Operational Risk*” below.

The Issuer has a range of tools designed to measure and manage the various risks which it faces. Some of these methods, such as value-at-risk analyses, are based on historic market behaviour. The methods may therefore prove to be inadequate for predicting future risk exposure, which may prove to be significantly greater than what is suggested by historic experience. Historical data may also not adequately allow prediction of circumstances arising due to Government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers or other information that is publicly known or otherwise available to the Issuer. Such information may not always be correct, updated or correctly evaluated. In addition, even though the Issuer constantly measures and monitors its exposures, there can be no assurance that its 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 the Issuer's financial performance and business operations. Unanticipated economic changes or Government interventions could expose the Issuer to increased liquidity and funding risk, credit risk, market risks or operational risk, which could have a material adverse effect on the Issuer's business prospects or results of operations.

## 4.2 *Operational Risk*

The Issuer's success as a financial institution depends on its ability to process a very large number of transactions efficiently and accurately. Operational risk and losses can result from a range of internal and external factors. Internal factors include internal 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 and equipment failures, particularly in relation to electronic banking applications. External factors include natural disasters, war, pandemics, terrorist action or the failure of external systems, for example, those of the Issuer's suppliers or counterparties. These could, for example, prevent the Issuer's customers from withdrawing cash from its ATMs or from having their salary credited to their accounts with the Issuer and, if customers associate their problem with the Issuer rather than with the institution causing the problem, this would have an operational and financial impact on the Issuer's performance. A feature of operational risk is that financial institutions rely on systems and controls such as standard form documentation and electronic banking applications to process high volumes of transactions. As a result, any error in the Issuer's standard documentation or any defect in its electronic banking applications can be replicated across a large number of transactions before the error or defect is discovered and corrected and this could significantly increase the cost to the Issuer of remediating the error or defect, could expose the Issuer to the risk of regulatory sanction, unenforceability of contracts and, in extreme cases, could result in significant damage to the Issuer's reputation.

In response to the pandemic, it was necessary to implement new ways of working and adapt operational processes, the associated risks of which have been actively assessed for mitigation. The overall operational risk profile has remained relatively stable but is subject to ongoing review as the situation evolves and the longer-term impacts of Covid-19 are fully understood. The Issuer continues to plan for,

and respond to, further developments to ensure continuity of service, minimise the impact on the risk profile, keep its colleagues and members safe and comply with Government guidance.

The impacts of the war in Ukraine are wide reaching and have affected the Issuer's operational risk profile. The Issuer's response to sanctions on Russia has required focus, including consideration of possible risks by senior management, due to the increased size and complexity of the sanctions list. In addition, in line with National Cyber Security Centre guidance, a proactive and proportionate package of measures has been progressed to reflect the changes to the cyber security profile. The Issuer continues to monitor its risk and control environment in response to the heightened threat of cyber-attack against UK institutions, infrastructure and its members.

Increased digital interconnectivity across the Issuer's customers and suppliers, and the need for resilient IT systems, including hardware, software, cloud computing services and cyber security, remains an evolving risk to financial institutions including the Issuer. The Issuer considers that, within the operation and conduct risks profile, IT resilience and cyber security present the main risks, and the Issuer is focused on striving to protect service availability and customer data. The Issuer's implementation of new systems, infrastructures and processes, alongside the maintenance of legacy systems, introduces a level of operational complexity. In an increasingly digital world, customer expectations are rising, with a significantly lower tolerance of service disruption. Ensuring a highly reliable and widely available service requires resilient IT, business systems and processes. Any loss in the integrity and resilience of key systems and processes, data thefts, cyber-attacks, denial of service attacks or breaches of data protection requirements could significantly disrupt the Issuer's operations and cause significant financial loss and reputational damage to the Issuer. This could in turn result in a loss of confidence in the Issuer, potentially resulting in existing customers withdrawing deposits and/or deterring prospective new customers.

Meanwhile the significant rise in data used in digital services increases the complexity and cost of managing data securely and effectively. Further, the maturity and sophistication of organised cyber-crime continues to increase and has been highlighted by a number of recent attacks in the financial and non-financial sectors, including payment services. Such attacks have also increased the public awareness of cyber-threats. As a result of the continued increasing threat from cyber-crime, security controls have needed to keep pace to prevent, detect and respond to any threats or attacks. The constant threat posed by a cyber-attack directly impacts the existing risks associated with external fraud, data loss, data integrity and availability. Although the Issuer maintains measures designed to ensure the integrity and resilience of key systems and processes, it may be the victim of cyber-attacks, including denial of service attacks which could significantly disrupt the Issuer's operations and the services it provides to its customers or attacks designed to obtain an illegal financial advantage. Any such attack or any other failure in the Issuer's IT systems could, among other things, cause significant financial loss and reputational damage to the Issuer, and could result in a loss of confidence in it, potentially resulting in existing customers withdrawing deposits and/or deterring prospective new customers.

Although the Issuer has implemented risk controls and loss mitigation actions, and substantial resources are devoted to technology, developing efficient procedures and staff training, it is not possible to implement procedures which are fully effective in controlling each of the operational risks noted above. If such operational risks are not effectively controlled, the Issuer may lose market share or, in extreme cases, risk regulatory sanction or reputational damage.

#### **4.3 *Reputational Risk***

The Issuer's reputation is one of its most important assets and its ability to attract and retain customers and conduct business with its counterparties could be adversely affected to the extent that its reputation or the reputation of the Nationwide brand is damaged. Failure to address, or appearing to fail to address, various issues that could give rise to reputational risk could cause harm to the Issuer and its business prospects. Reputational issues include, but are not limited to:

- failing to appropriately address potential conflicts of interest;
- breaching or facing allegations of having breached legal and regulatory requirements (including money laundering and anti-terrorism financing requirements);
- acting or facing allegations of having acted unethically (including having adopted inappropriate sales and trading practices, see “—*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.*” above);
- failing or facing allegations of having failed to maintain appropriate standards of customer privacy, customer service and recordkeeping;
- technology failures that impact upon customer service and accounts or the failure of intermediaries or third parties on whom the Issuer relies;
- limiting hours of or closing branches due to changing customer behaviour;
- failing to properly identify legal, reputational, credit, liquidity and market risks inherent in products offered;
- a failure to identify and respond appropriately to the challenges and threats presented by climate change; and
- generally poor business performance.

Any failure to address these or any other relevant issues appropriately could make customers, depositors and investors unwilling to do business with the Issuer, which could adversely affect its business, financial condition and results of operations and could damage its relationships with its regulators. The Issuer cannot ensure that it will be successful in avoiding damage to its business from reputational risk.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Base Prospectus, shall be incorporated in, and form part of, this Base Prospectus:

- (i) the auditors' report and audited consolidated annual financial statements of the Issuer for the year ended 4 April 2021 (contained on pages 227 to 325 (inclusive) of the Issuer's 2021 Annual Report and Accounts) (<https://www.nationwide.co.uk/-/assets/nationwidecouk/documents/about/how-we-are-run/results-and-accounts/2020-2021/annual-report-and-accounts-2021.pdf?rev=17d433dfd8934d5a9dff0478d4f2f362&hash=B66EFDA0A81DD4864C62A39D2E4EC608>);
- (ii) the auditors' report and audited consolidated annual financial statements of the Issuer for the year ended 4 April 2022 (contained on pages 218 to 316 (inclusive) of the Issuer's 2022 Annual Report and Accounts) (<https://www.nationwide.co.uk/-/assets/nationwidecouk/documents/about/how-we-are-run/results-and-accounts/2021-2022/annual-report-and-accounts-2022.pdf?rev=17190effa465482cbca9d3dc5a6d6ddf>); and
- (iii) the Terms and Conditions of the Notes contained in the previous Base Prospectuses dated:
  - (a) 28 September 2010 (pages 58-80 inclusive);
  - (b) 2 October 2013 (pages 42-65 inclusive);
  - (c) 2 October 2014 (pages 45-69 inclusive);
  - (d) 28 September 2015 (pages 48-79 inclusive);
  - (e) 31 August 2016 (pages 48-79 inclusive) as supplemented by the supplement dated 17 July 2017;
  - (f) 16 February 2018 (pages 64-106 inclusive);
  - (g) 31 October 2018 (pages 70-118 inclusive) as supplemented by the supplement dated 22 November 2018;
  - (h) 1 November 2019 (pages 67-116 inclusive);
  - (i) 30 October 2020 (pages 79-147 inclusive); and
  - (j) 29 October 2021 (pages 84-153 inclusive),

in each case prepared by the Issuer in connection with the Programme and available at <https://www.nationwide.co.uk/about/investor-relations/funding-programmes/emtn>.

The tables below set out the relevant page references in (i) the Issuer's Annual Report and Accounts for the year ended 4 April 2021 for the Issuer's audited consolidated annual financial statements for the year ended 4 April 2021 and auditors' report thereon; and (ii) the Issuer's Annual Report and Accounts for the year ended 4 April 2022 for the Issuer's audited consolidated annual financial statements for the year ended 4 April 2022 and auditors' report thereon:



**Audited consolidated annual financial statements for the year ended 4 April 2021**

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**Audited consolidated annual financial statements for the year ended 4 April 2022**

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Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the FCA in accordance with Article 23 of the UK Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus.

Certain information contained in the documents listed above has not been incorporated by reference in this Base Prospectus (which, for the avoidance of doubt, means any parts not listed in the cross-reference list above). Such information is either (i) not considered by the Issuer to be relevant for prospective investors in the Notes to be issued under the Programme or (ii) is covered elsewhere in this Base Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes. The Issuer has undertaken to the Dealers in the Programme Agreement (as defined in "*Subscription and Sale*") that it will comply with Article 23 of the UK Prospectus Regulation.

## FORM OF THE NOTES

Each Tranche of Notes will initially be represented by a temporary global Note or, if so specified in the applicable Final Terms, a permanent global note without interest coupons or talons, which, in either case, will:

- (a) if the global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear and Clearstream, Luxembourg; and
- (b) if the global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Any reference in this section “*Form of the Notes*” to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Trustee and the Agent. Whilst any Note is represented by a temporary global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made (against presentation of the temporary global Note if the temporary global Note is not issued in NGN form) only to the extent that certification as to non U.S. beneficial ownership as required by U.S. Treasury regulations (in the form set out in the temporary global Note) has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certificate (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is 40 days after the date on which the temporary global Note is issued, interests in the temporary global Note will be exchangeable, upon request being made by Euroclear and/or Clearstream, Luxembourg acting on the instructions of the holders of interests in the temporary global Note, either for interests in a permanent global Note without interest coupons or talons or for definitive Notes (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms) in each case against certification as to non-U.S. beneficial ownership as described in the second sentence of the preceding paragraph unless such certification has already been given. The holder of a temporary global Note will not be entitled to receive any payment of interest or principal due on or after the Exchange Date. Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*” below), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such Tranche shall be assigned a common code and an ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least 40 days (as notified by the Agent to the relevant Dealer(s)/Manager(s)) after the completion of the distribution of the Notes of such first mentioned Tranche (the date of completion of the distribution of such Notes having been previously notified to the Agent by such Dealer(s)/Manager(s)).

Payments of principal and interest (if any) on a permanent global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the permanent global Note if the permanent global Note is not issued in NGN form) without any requirement for certification. A permanent global Note will be exchangeable, in whole but not in part, for security printed definitive Notes with, where applicable, interest coupons and talons attached upon not less than 45 days’ written notice (expiring at least 30

days after the Exchange Date) to the Agent from Euroclear or Clearstream, Luxembourg (as the case may be) acting on instructions of the holders of interests in the permanent global Note. Unless otherwise provided in the applicable Final Terms a notice requiring exchange as aforesaid may only be given if an Exchange Event has occurred. Notes for which the applicable Final Terms permit trading in the clearing systems in Calculation Amounts which are not a Specified Denomination will only be exchangeable for definitive Notes upon an Exchange Event. **Exchange Event** means that the Issuer has been notified that either Euroclear or Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) after the relevant Issue Date or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system satisfactory to the Trustee is available. The Issuer will promptly give notice to the Noteholders in accordance with the Terms and Conditions if an Exchange Event occurs. Temporary and permanent global Notes and definitive Notes will be authenticated (if applicable) and delivered by the Agent on behalf of the Issuer. In the case of Notes issued in NGN form which are intended to be held in a manner which would allow Eurosystem eligibility, the temporary and/or permanent global Note(s) will also be effectuated by the Common Safekeeper.

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

The following legend will appear on all global Notes, definitive Notes and interest coupons: “Any United States person (as defined in the Internal Revenue Code of the United States) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code.” The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

The Issuer may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event a drawdown prospectus or a new Base Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.*

**[MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

**UK MiFIR product governance/Professional investors and ECPs only target market** - Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any [person subsequently offering, selling or recommending the Notes (a **distributor**)] [distributor] should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.

**[Prohibition of sales to EEA retail investors** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a **retail investor** means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU (**MiFID II**)] [**MiFID II**]; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **EU PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.]

**[Prohibition of sales to UK retail investors** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

**[Singapore Securities and Futures Act Product Classification** - In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA, the classification of the Notes as [prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)]/[ ]]

[Date]

## **Nationwide Building Society**

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

*(Legal entity identifier (LEI): 549300XFX12G42QIKN82)*

[£/€/U.S.\$/[ ]]

[[ ] per cent. / Fixed Rate Reset / Floating Rate / Zero Coupon] [Senior Preferred / Deposit / Senior Non-Preferred / Subordinated] Notes due [ ]

issued pursuant to its  
**U.S.\$25,000,000,000 European Note Programme**

## **PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated 24 October 2022 [and the supplemental Prospectus dated [date]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of Regulation (EU) (2017/1129) as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **UK Prospectus Regulation**). This document constitutes the Final Terms of the Notes described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information. The Base Prospectus has been published on the website of the London Stock Exchange through a regulatory information service (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>).]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the **Conditions**) set forth in the Base Prospectus dated [original date] [and the supplement to it dated [date]] and incorporated by reference into the Base Prospectus dated 24 October 2022. This document constitutes the Final Terms of the Notes described herein for the purposes of Regulation (EU) (2017/1129) as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **UK Prospectus Regulation**) and must be read in conjunction with the Base Prospectus dated 24 October 2022 [and the supplemental Prospectus dated [date]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of the UK Prospectus Regulation, including the Conditions incorporated by reference in the Base Prospectus, in order to obtain all the relevant information. The Base Prospectus has been published on the website of the London Stock Exchange through a regulatory information service (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>).]

## **TYPE OF NOTE**

1. Status of the Notes: [Senior Preferred / Deposit / Senior Non-Preferred / Subordinated]
2. Interest Basis: [Fixed Rate / Reset / Floating Rate / Zero Coupon / Combination (see paragraph[s] [12]/[13]/[14]/[15] below)]

## DESCRIPTION OF THE NOTES

3. New Global Note: [Yes/No]
4. Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on not less than 45 days' notice/only upon an Exchange Event]]
- [Temporary Global Note exchangeable for Definitive Notes]
- [Permanent Global Note exchangeable for Definitive Notes [on not less than 45 days' notice/only upon an Exchange Event]]
- [Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]<sup>1</sup>
5. (a) Series Number: [ ]
- (b) Tranche Number: [ ]
- (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: [ ]
- (b) Aggregate nominal amount of Series (if more than one issue for the Series): [ ]
- (c) Specified Currency: [ ]
- (d) Specified Denomination(s): [ ]
- (e) Calculation Amount: [ ]
7. Issue Price: [ ]
8. Issue Date: [ ]
9. Interest Commencement Date: [[ ]/Issue Date/Not Applicable]
10. Automatic/optional conversion from one Interest Basis to another: [ ] [Not Applicable]

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<sup>1</sup> Include for Notes that are to be offered in Belgium.

11. Additional Financial Centre(s): [Not Applicable/[ ]]

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

12. **Fixed Rate Note Provisions** [Applicable/Not Applicable]

(a) Fixed Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Fixed Interest Date

(b) Fixed Interest Date(s): [ ] in each year up to and including the Maturity Date

(c) Initial Broken Amount per denomination: [ ]

(d) Fixed Coupon Amount(s): [ ] per Calculation Amount

(e) Broken Amount(s): [[ ] per Calculation Amount, payable on the Fixed Interest Date falling [in/on] [ ]] [Not Applicable]

(f) Final Broken Amount per denomination: [ ]

(g) Day Count Fraction: [[Actual/Actual (ICMA)]  
[30/360]  
[Actual/Actual (ISDA)] [Actual/Actual]  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
[360/360] [Bond Basis]  
[30E/360] [Eurobond Basis]  
30E/360 (ISDA)]

(h) Business Day Convention: [Following Business Day/Modified Following Business Day/Preceding Business Day/Modified Preceding Business Day]

• Adjusted: [Applicable/Not Applicable]

• Non-Adjusted: [Applicable/Not Applicable]

(i) Additional Business Centre(s): [ ]

(j) Determination Date(s): [[ ] in each year] [Not Applicable]

13. **Zero Coupon Note Provisions** [Applicable/Not Applicable]

(a) Accrual Yield: [ ]

(b) Reference Price: [ ]

(c) Calculation Agent (if any): [Agent]/[ ]

14. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (a) Calculation Agent: [Agent]/[ ]
- (b) Interest Period(s) or specified Interest Payment Date(s): [ ] [in each year from (and including) [ ] up to (and including) [the Maturity Date][ ], subject in each case to adjustment in accordance with the Business Day Convention specified below]
- (c) Business Day Convention: [Floating Rate/Following Business Day/Modified Following Business Day/Preceding Business Day/Modified Preceding Business Day]
- (d) Additional Business Centre(s): [ ]
- (e) First Interest Payment Date: [ ], subject to adjustment in accordance with the Business Day Convention specified above]
- (f) Manner in which Rate of Interest is to be determined: [Screen Rate Determination/ISDA Determination]
- (g) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate [Compounded Daily SONIA]  
[Compounded Daily SOFR]  
[Weighted Average SOFR]  
[Compounded Daily €STR]  
[ ]-month [EURIBOR/[ ]]
  - Term Rate [Applicable/Not Applicable]
    - Specified Time [[11.00 a.m./[ ]] in the Relevant Financial Centre] / [Not Applicable]
    - Relevant Financial Centre: [London/New York/Brussels/[ ]] / [Not Applicable]
  - Overnight Rate [Applicable/Not Applicable]
    - Index Determination: [Applicable/Not Applicable]
      - Relevant Number: [[5 / [ ]] [[London Banking Days]/[U.S. Government Securities Business Days]/[Not Applicable]
- (If 'Index Determination' is 'Not Applicable', delete 'Relevant Number' and complete the remaining bullets below)*
- (If 'Index Determination' is 'Applicable', insert number of days (expected to be five or greater) as the Relevant Number, and the remaining bullets below will each be 'Not Applicable')*



- D: [360/365/[ ]] / [Not Applicable]
- Observation Method: [Lag/Lock-out/Observation Shift/Not Applicable]
  - Lag Period: [5 / [ ] [London Banking Days] [U.S. Government Securities Business Days] [TARGET Business Days] [[City] Banking Days] [Not Applicable]
  - Observation Shift Period: [5 / [ ] [London Banking Days] [U.S. Government Securities Business Days] [TARGET Business Days] [[City] Banking Days] [Not Applicable]

*(NB: A minimum of 5 relevant business/banking days should be specified for the Lag Period or Observation Shift Period, unless otherwise agreed with the Calculation Agent)*
- Interest Determination Date(s): [ ] [TARGET/[ ]] Business Days [in [ ]] prior to the [ ] day in each Interest Period/each Interest Payment Date][The [first/[ ]] [London Banking Day]/[TARGET Business Day] / [U.S. Government Securities Business Day] falling after the last day of the relevant Observation Period][The [first/[ ]] Banking Day falling after the last day of the relevant Observation Period (where **[City] Banking Day** means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in [City])][ ]
- Relevant Screen Page: [ ] [Not Applicable]
- (h) ISDA Determination: [Applicable/Not Applicable]
  - (i) ISDA Definitions: [2006 / 2021] ISDA Definitions
  - (ii) Floating Rate Option: [ ] *(If “2021 ISDA Definitions” is selected, ensure this is a Floating Rate Option included in the Floating Rate Matrix (as defined in the 2021 ISDA Definitions))*
  - (iii) Designated Maturity: [ ] / [Not Applicable] *(A Designated Maturity period is not relevant where the relevant Floating Rate Option is a risk-free rate)*
  - (iv) Reset Date: [ ]
  - (v) Compounding: [Applicable/Not Applicable] *(If not applicable, delete the remaining items of this subparagraph)*
    - Overnight Rate Compounding Method: [Compounding with Lookback

Lookback: [[ ] Applicable Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]

[Compounding with Observation Period Shift

Observation Period Shift: [[ ] Observation Period Shift Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]

Observation Period Shift Additional Business Days: [[ ]/Not Applicable]

[Compounding with Lockout

Lockout: [[ ] Lockout Period Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]

Lockout Period Business Days: [ ]/[Applicable Business Days]

[Not Applicable]

(vi) Index Provisions: [[Applicable/Not Applicable]

*(If not applicable, delete the remaining items of this subparagraph)*

• Index Method: Compounded Index Method with Observation Period Shift

Observation Period Shift: [[ ] Observation Period Shift Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]

Observation Period Shift Additional Business Days: [ ]/[Not Applicable]

(i) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]

(j) Margin(s): [plus/minus] [ ] per cent. per annum

(k) Minimum Rate of Interest (if any): [ ] per cent. per annum [in respect of the period from (and including) [the Interest Commencement Date]/[ ] to (but excluding) [ ]]

- (l) Maximum Rate of Interest (if any): [ ] per cent. per annum [in respect of the period from (and including) [the Interest Commencement Date]/[ ] to (but excluding) [ ]]
- (m) Day Count Fraction: [[Actual/Actual (ISDA)] [Actual/Actual]  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
[30/360] [360/360] [Bond Basis]  
[30E/360] [Eurobond Basis]  
30E/360 (ISDA)]
15. **Reset Note Provisions** [Applicable/Not Applicable]
- (a) Initial Rate of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) First Margin: [+/-][ ] per cent. per annum
- (c) Subsequent Margin: [[+/-][ ] per cent. per annum] [Not Applicable]
- (d) Interest Payment Date(s): [[ ] [and [ ] in each year from (and including) [ ] up to (and including) [the Maturity Date][ ]]
- (e) Fixed Coupon Amount to (but excluding) the First Reset Date: [ ] per Calculation Amount
- (f) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
- (g) Reset Reference Rate: [CMT Rate/Mid-Swaps/Reference Bond]
- (h) First Reset Date: [ ]
- (i) Second Reset Date: [ ]/[Not Applicable]
- (j) Subsequent Reset Date(s): [ ] [and [ ] [Not Applicable]
- (k) Relevant Screen Page: [ ]
- (l) Mid-Swap Rate: [Single Mid-Swap Rate/Mean Mid-Swap Rate] [Not Applicable]
- (m) Fixed Leg Swap Duration: [12 months / 6 months / [ ] [Not Applicable]
- (n) Floating Leg Swap Duration: [12 months / 6 months / 3 months / [ ] [Not Applicable]
- (o) Mid-Swap Floating Leg Benchmark Rate: [[6]-month EURIBOR (calculated on an Actual/360 day count basis)] / [Overnight SONIA rate compounded for the Floating Leg Swap Duration (calculated on an Actual/365 day count basis)] /

[Overnight SOFR rate compounded for the Floating Leg Swap Duration (calculated on an Actual/360 day count basis)] / [ ] / [Not Applicable]

- (p) Mid-Swap Fallback Rate in respect of the first Reset Determination Date: [[ ] per cent.] [Not Applicable]
- (q) Reference Bond Reset Rate Time: [ ] [Not Applicable]
- (r) Reference Bond Fallback Rate in respect of the First Reset Period: [ ] [Not Applicable]
- (s) Designated CMT Reuters Page: [Reuters T7051 Page/Reuters T7052 Page/specify] [Not Applicable]
- (t) Designated CMT Maturity Index: [ ]/[Not Applicable]
- (u) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (v) Determination Date(s): [[ ] in each year][Not Applicable]
- (w) Business Centre(s): [ ]
- (x) Business Day Convention: [Following Business Day/Modified Following Business Day/Preceding Business Day/Modified Preceding Business Day]
- Adjusted: [Applicable/Not Applicable]
  - Non-Adjusted: [Applicable/Not Applicable]
- (y) Calculation Agent: [Agent]/[ ]
16. Benchmark Discontinuation: [Applicable/Not Applicable]
- (a) Benchmark Replacement: [Applicable – Condition 4.4(a) applies] / [Not Applicable]
- (b) Benchmark Transition: [Applicable – Condition 4.4(b) applies] / [Not Applicable]

*(Unless otherwise agreed, select 'Benchmark Transition' if the Notes are Floating Rate Notes and the Original Reference Rate is SOFR; otherwise, select 'Benchmark Replacement')*

## PROVISIONS REGARDING REDEMPTION/MATURITY

17. Maturity Date: [ ]/[Interest Payment Date falling [in/on] or nearest to [ ]]
18. Redemption at Issuer's option: [Applicable/Not Applicable]

- (a) Optional Redemption Date(s): [ ]/[Any day falling in the period commencing on (and including) [ ] and ending on ([and including/but excluding]) [the [first] Reset Date]/[the Maturity Date]/[ ]]
- (b) Optional Redemption Amount: [[ ] per Calculation Amount]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (iii) Minimum Period: [ ] days
- (d) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
19. Regulatory Event (Subordinated Notes only): [Full Exclusion / Full or Partial Exclusion / Not Applicable]
20. (a) Senior Non-Preferred Notes: Loss Absorption Disqualification Event Redemption: [Applicable / *specify if Not Applicable*]
- (b) Loss Absorption Disqualification Event: [Full Exclusion / Full or Partial Exclusion / Not Applicable]
- (c) Senior Non-Preferred Notes: Substitution and Variation: [Applicable / *specify if Not Applicable*]
21. Redemption at Noteholder's option: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [ ] per Calculation Amount
- (c) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
22. Final Redemption Amount: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
23. Early Redemption Amount payable on redemption for taxation reasons or (for Subordinated Notes only) following a Regulatory Event or (for any Note) on an Event of Default: [ ] per Calculation Amount

## GENERAL PROVISIONS APPLICABLE TO THIS ISSUE OF NOTES

24. U.S. Selling Restrictions: [Reg S Compliance Category 2: TEFRA D/TEFRA C/TEFRA not applicable]

## THIRD PARTY INFORMATION

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

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/is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's main market and listing on the Official List of the FCA with effect from [on or around] [ ]/[the Issue Date]. *[insert details of any relevant sustainable bond segment, if applicable].*]
- (b) Estimated of total expenses related [ ] to admission to trading:

### 2. RATINGS

- Ratings: The Notes to be issued [have been/are expected to be] been rated:
- [Moody's Investors Service Limited: [ ]]  
[S&P Global Ratings UK Limited: [ ]]  
[Fitch Ratings Ltd.: [ ]]
- [A 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.
- The rating agenc[y/ies] above [has/have] published the following high-level description[s] of such rating[s]:
- A rating of [ ] by Moody's Investors Service Limited is described by it as indicating [ ].
  - A rating of [ ] by S&P Global Ratings UK Limited is described by it as indicating [ ].
  - A rating of [ ] by Fitch Ratings Ltd. is described by it as indicating [ ].

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

[Save for any fees payable to the Manager(s)/Dealer(s), so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Manager(s)/Dealer(s) and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business]

### 4. YIELD (*Fixed Rate Notes only*)

Indication of yield: [ ]

[The yield is calculated on the basis of the Rate of Interest [applicable up to (but excluding) the First Reset Date] and the Issue Price as at the Issue Date. It is not an indication of future yield.]

## 5. OPERATIONAL INFORMATION

- (a) ISIN: [ ]
- (b) Common Code: [ ]
- (c) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/[ ]]
- (d) Names and addresses of additional Paying Agent(s) (if any): [ ]
- (e) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the International Central Securities Depositories (**ICSDs**) as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank (**ECB**) being satisfied that Eurosystem eligibility criteria have been met.] / [No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
- (f) Relevant Benchmark[s]: [[*specify benchmark*] is provided by [*administrator legal name*]]. As at the date hereof, [[*administrator legal name*][appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 (Register of administrators and benchmarks) of the UK Benchmarks Regulation]/[As far as the Issuer is aware, as at the date hereof,



[*specify benchmark*] does not fall within the scope of the UK Benchmarks Regulation]/[Not Applicable]

6. **DISTRIBUTION**

Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]

7. **REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS**

(a) Reasons for the offer: [See [“Use of Proceeds”] in the Base Prospectus/[The Notes are intended to be issued as Sustainable Notes, [*further particulars to be provided*].]/Give details]

(b) Estimated net proceeds: [     ]

## TERMS AND CONDITIONS OF THE NOTES

*The following (save for paragraphs in italics, which are descriptive only and do not form part of the Terms and Conditions) are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note and each definitive Note, in the latter case only if permitted by the relevant stock exchange, relevant authority or quotation system (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue. If not so permitted (where applicable) and agreed, each definitive Note will have endorsed upon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of Final Terms” above for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series of notes (the notes of such Series being hereinafter called the **Notes**, which expression shall mean (a) in relation to Notes represented by a global note (a **Global Note**), units equal to each Specified Denomination in the Specified Currency, (b) definitive Notes issued in exchange for a Global Note, and (c) any Global Note) constituted by a Trust Deed dated 17 April 1991 (such Trust Deed as modified and/or supplemented and/or restated from time to time, 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 29 October 2021 (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer, Citibank, N.A., London Branch, 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.

Interest bearing definitive Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference in these Terms and Conditions to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms endorsed upon or attached to this Note which supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note.

References herein to **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

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**, which expression shall, unless the context otherwise requires, include the holders of the Talons), all in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series, and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are (i) available for inspection during normal business hours at the registered office for the time being of the Trustee, being at 24 October 2022 at Eighth Floor, 100 Bishopsgate, London EC2N 4AG and at the specified office of each of the Agent and the other Paying Agents or (ii) may be provided by email to a Noteholder following their prior written request to the Trustee, any Paying Agents or the Issuer, in any such case upon provision of proof of holding and identity (in a form satisfactory to the Trustee, the relevant Paying Agent or the Issuer, as the case may be). If the Notes are to be admitted to trading on the main market of the London Stock Exchange the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. If this Note is not admitted to trading on the London Stock Exchange's main market, the applicable Final Terms will only be obtainable from the principal office of the Issuer and of the Agent by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity.

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 applicable Final Terms which are binding on them. Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the 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 the applicable Final Terms, the applicable Final Terms will prevail.

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

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**, which term will, unless the context otherwise requires, include any successor to such currency under applicable law) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note is a Fixed Rate Note, a Reset Note, a Floating Rate Note or a Zero Coupon Note or any appropriate combination thereof, depending upon the Interest Basis shown in the applicable Final Terms.

This Note is also a Senior Preferred Note, a Deposit Note, a Senior Non-Preferred Note or a Subordinated Note, as indicated in the applicable Final Terms.

If this Note is a definitive Note, it is issued with Coupons and, if applicable, Talons attached, unless it is a Zero Coupon Note in which case references to interest and Coupons in these Terms and Conditions are not applicable.

Subject to the provisions relating to Global Notes set out below, title to the Notes and the Coupons will pass by delivery. Except as ordered by a court of competent jurisdiction or as required by law, the Issuer, the Trustee, the Agent and any other Paying Agent shall (subject as set out below) be entitled to deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not such Note or Coupon shall be overdue and notwithstanding any notice to the contrary or any notation of ownership or writing thereon or notice of any previous loss or theft thereof) for the purpose of making payment thereon and for all other purposes and no person shall be liable for so treating such holder. For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or 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 (including any form of statement or printout of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Easyway and Clearstream, Luxembourg's Xact Web

Portal) in accordance with its usual procedures and in which the holder of a particular nominal amount of Notes is clearly identified together with the amount of such holding) as evidence as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Agent and any other Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal and interest on such Notes, the right to which shall be vested, as against the Issuer, solely in the bearer of the Global Note in accordance with and subject to its terms (or the Trustee in accordance with the Trust Deed) (and the expressions **Noteholder**, **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/or Clearstream, Luxembourg, as the case may be.

Any references herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

## **2. Status, Ranking and Subordination**

### **2.1 Status of Senior Preferred Notes and Deposit Notes**

This Condition 2.1 shall apply if this Note is a Senior Preferred Note or a Deposit Note.

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank (subject to the provisions of Condition 3) *pari passu* and without any preference among themselves, junior to obligations required to be preferred by law (which includes certain member share accounts which are given preferential status by law) and at least equally with all other Ordinary Non-Preferential Debts of the Issuer.

Accordingly, subject to the Insolvency Act (and any other Ranking Legislation), for so long as they are not secured pursuant to the provisions of Condition 3, the Notes and any relative Coupons form part of the class of Ordinary Non-Preferential Debts of the Issuer under the Insolvency Act (and any other Ranking Legislation).

### **2.2 Status and Ranking of Senior Non-Preferred Notes**

This Condition 2.2 shall apply if this Note is a Senior Non-Preferred Note.

#### *(a) Status and Ranking*

*The Senior Non-Preferred Notes may only be issued on terms such that they (A) have an original contractual maturity of at least one year and (B) are not derivatives and contain no embedded derivatives for the purposes of Section 387A(3)(b)(ii) of the Insolvency Act (and the relevant section of any other Ranking Legislation).*

The Notes and any relative Coupons are direct and unsecured obligations of the Issuer and, subject to the Insolvency Act (and any other Ranking Legislation), constitute Secondary Non-Preferential Debts under the Insolvency Act (and any other Ranking Legislation), ranking *pari passu* and without any preference among themselves.

Accordingly, subject to the Insolvency Act (and any other Ranking Legislation), claims in respect of principal, interest and any other amount (including, without limitation, any damages awarded for breach of the Issuer's obligations) in respect of the Notes and any relative Coupons will, in the event of the winding up or dissolution of the Issuer (subject as otherwise provided in an Excluded Dissolution), rank as provided for Secondary Non-Preferential Debts in the Insolvency Act (and any other Ranking Legislation), and therefore:

- (i) junior in right of payment to all Senior Claims;

- (ii) *pari passu* with all other Senior Non-Preferred Claims; and
  - (iii) in priority to all Subordinated Claims.
- (b) *Waiver of Set-off*

Subject to applicable law, no holder of a Note or any relative Coupon 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 (or the holder of any interest in) any such Note or relative 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 of a Note or relative Coupon 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 or dissolution of the Issuer, the liquidator or other insolvency official of the Issuer, and accordingly such discharge will be deemed not to have taken place.

### **2.3 Status and Subordination of Subordinated Notes**

This Condition 2.3 shall apply if this Note is a Subordinated Note.

#### *(a) Status and Subordination*

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

Accordingly, subject to the Insolvency Act (and any other Ranking Legislation), the Notes form part of the class of Tertiary Non-Preferential Debts under the Insolvency Act (and any other Ranking Legislation), and claims in respect of principal, interest and any other amount (including, without limitation, any damages awarded for breach of the Issuer's obligations) in respect of the Notes and any relative Coupons will, in the event of the winding up or dissolution of the Issuer (subject as otherwise provided in an Excluded Dissolution):

- (i) be subordinated in right of payment in the manner provided in the Insolvency Act (and any other Ranking Legislation) and the Trust Deed to (x) all Senior Claims, (y) all Senior Non-Preferred Claims and (z) any Subordinated Claims (if any) which rank, or are expressed to rank, in priority to claims in respect of the Notes;
- (ii) rank at least *pari passu* with claims in respect of obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital; and
- (iii) rank in priority to claims in respect of obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Additional Tier 1 Capital or CET1 Capital (including the Issuer's core capital deferred shares) and in priority to any other claims (including, without limitation, claims in respect of the Issuer's permanent interest bearing shares) which rank, or are expressed to rank, junior to claims in respect of the Notes.

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

Subject to applicable law, no holder of a Note or any relative Coupon 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 (or the holder of any interest in) 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 of a Note or relative Coupon 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 or dissolution of the Issuer, the liquidator or other insolvency official of the Issuer and accordingly such discharge will be deemed not to have taken place.

## **2.4 Certain definitions**

As used in these Terms and Conditions:

**deferred share investments** has the meaning ascribed thereto in the rules of the Issuer (and includes the Issuer's permanent interest bearing shares and core capital deferred shares);

**Excluded Dissolution** means each of (i) a winding up or dissolution of the Issuer for the purpose of a reconstruction, union, transfer, merger or amalgamation or the substitution in place of the Issuer of a successor in business the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, and (ii) a dissolution of the Issuer following, or in connection with, a Permitted Reorganisation whereby the Successor Entity is substituted in place of the Issuer as principal debtor under the Trust Deed, the Notes and any relative Coupons;

**Hierarchy Order** means The Banks and Building Societies (Priorities on Insolvency) Order 2018, as amended or superseded from time to time;

**Insolvency Act** means the Insolvency Act 1986, as amended or superseded from time to time (including by the Hierarchy Order);

**investing members** has the meaning ascribed thereto in the rules of the Issuer;

**Ordinary Non-Preferential Debts** means 'ordinary non-preferential debts' as defined in Section 387A(3)(a) of the Insolvency Act (or, as the case may be, in the relevant section of any other Ranking Legislation);

**Ranking Legislation** means the Insolvency Act, the Hierarchy Order and, if and to the extent applicable to the Issuer, any other law or regulation which is amended by the Hierarchy Order;

**Regulatory Capital Requirements** means, at any time, any requirement contained in the law, regulations, requirements, guidelines and policies then in effect relating to capital adequacy and prudential supervision and applicable to the Issuer, including (without limitation to the generality of the foregoing), those applicable laws, regulations, requirements, guidelines and policies relating to capital adequacy and prudential supervision then in effect of the United Kingdom or the relevant Supervisory Authority;

**Secondary Non-Preferential Debts** means 'secondary non-preferential debts' as defined in Section 387A(3)(b) of the Insolvency Act (or, as the case may be, in the relevant section of any other Ranking Legislation);

**Senior Claims** means the aggregate amount of all claims admitted in the winding up or dissolution of the Issuer which are:

- (i) claims of depositors of the Issuer;
- (ii) claims of investing members of the Issuer as regards the principal and interest due on share investments other than deferred share investments; and

- (iii) claims of creditors in respect of Ordinary Non-Preferential Debts of the Issuer and all other obligations of the Issuer which are preferred by law to Secondary Non-Preferential Debts;

**Senior Non-Preferred Claims** means the aggregate amount of all claims admitted in the winding up or dissolution of the Issuer which are claims of creditors in respect of Secondary Non-Preferential Debts of the Issuer;

**Subordinated Claims** means the aggregate amount of all claims admitted in the winding up or dissolution of the Issuer which are claims in respect of Tertiary Non-Preferential Debts of the Issuer, including (without limitation) claims of creditors in respect of obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital, Additional Tier 1 Capital or CET1 Capital (including the Issuer's core capital deferred shares) and claims in respect of the Issuer's permanent interest bearing shares;

**Supervisory Authority** means, from time to time, the Bank of England acting as the Prudential Regulation Authority through its Prudential Regulation Committee or such other authority having for the time being primary supervisory authority and/or responsibility with respect to prudential or resolution matters concerning the Issuer and/or its group, as may be relevant in the context;

**Tertiary Non-Preferential Debts** means 'tertiary non-preferential debts' as defined in Section 387A(3)(c) of the Insolvency Act (or, as the case may be, in the relevant section of any other Ranking Legislation); and

**Tier 1 Capital, CET1 Capital, Additional Tier 1 Capital and Tier 2 Capital** have the respective meanings given thereto (or to a successor or equivalent term) in the Regulatory Capital Requirements.

### 3. Negative Pledge

This Condition 3 does not apply if this Note is a Senior Non-Preferred Note or a Subordinated Note.

So long as any of the Notes remains outstanding the Issuer will not, and will not suffer or permit any Subsidiary of the Issuer to, create or have outstanding any mortgage, lien (not being a lien arising by operation of law), pledge or other security interest upon the whole or any part of its undertaking or assets, present or future, (**Security**) to secure any Loan Stock of the Issuer or such Subsidiary, respectively, or any obligation of the Issuer or of any Subsidiary of the Issuer under any guarantee of or indemnity in respect of Loan Stock of any other person, without at the same time or prior thereto securing the Notes and the Coupons (the **Protected Notes and Coupons**) equally and rateably therewith to the satisfaction of the Trustee or providing such other security for the Protected Notes and Coupons which the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or which shall be approved by an Extraordinary Resolution of the Noteholders, provided that the Issuer or any Subsidiary of the Issuer may create or have outstanding Security with respect to Loan Stock (without the obligation to secure the Protected Notes and Coupons as aforesaid) if at the date of the creation thereof the Issuer and its Subsidiaries have and thereafter maintain free and clear of Security assets the fair market value of which (calculated on a consolidated basis) is at least equal to the aggregate nominal amount of all Loan Stock which is not secured by any such Security. **Loan Stock** is defined in the Trust Deed to mean indebtedness for the time being outstanding which is in the form of or represented or evidenced by bonds, notes, debentures, loan stock or other similar securities.

### 4. Interest

#### 4.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Fixed Rate(s) of Interest payable in arrear on the Fixed Interest Date(s) in each year and on the Maturity Date if that does not fall on a Fixed Interest Date. The

first payment of interest will be made on the Fixed Interest Date next following the Interest Commencement Date and, if the first anniversary of the Interest Commencement Date is not a Fixed Interest Date, will amount to the Initial Broken Amount. If the Maturity Date is not a Fixed Interest Date, interest from (and including) the preceding Fixed Interest Date (or the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the Final Broken Amount.

If “*Business Day Convention—Adjusted*” is specified in the applicable Final Terms, (a) any Fixed Interest Date otherwise falling on a day which is not a Business Day (as defined in Condition 4.2 below) will be postponed or brought forward (as applicable) in accordance with the Business Day Convention (as described in Condition 4.2(a)) set out in the applicable Final Terms which, for the avoidance of doubt, shall not be the Floating Rate Convention and (b) the amount of interest payable on a Fixed Interest Date will be the amount accrued during the Fixed Interest Period ending immediately prior to such Fixed Interest Date, and the provisions of Condition 4.2(d) (excluding the determination of the Rate of Interest) and Condition 4.2(f) (excluding the notification of the Rate of Interest) shall apply, *mutatis mutandis*, as though references therein (and, if applicable, in the description of the relevant Business Day Convention (as set out in Condition 4.2(a)) to (A) “Floating Rate Notes” were to “Fixed Rate Notes”; (B) “Interest Amounts” were to amounts of interest payable in respect of Fixed Rate Notes; (C) “Interest Payment Date” were to “Fixed Interest Date”; and (D) “Interest Period” were to “Fixed Interest Period”.

If “*Business Day Convention—Non-Adjusted*” is specified in the applicable Final Terms, any Fixed Interest Date otherwise falling on a day which is not a Business Day will be postponed or brought forward (as applicable) in accordance with the Business Day Convention set out in the applicable Final Terms (as described below) which, for the avoidance of doubt, shall not be the Floating Rate Convention but there will be no corresponding adjustment of the amount of interest payable on such Fixed Interest Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

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

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In this Condition, **Fixed Interest Period** means the period from (and including) a Fixed Interest Date (or the Interest Commencement Date) to (but excluding) the next (or first) Fixed Interest Date.



## 4.2 Interest on Floating Rate Notes

### (a) Interest Payment Dates

Each Floating Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate equal to the Rate of Interest payable in arrear on either:

- (i) the Interest Payment Date(s) in each year (the period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date, each an **Interest Period**); or
- (ii) if no express Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an Interest Payment Date) which falls the number of months or other period specified as the Interest Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

If any Interest Payment Date which is specified in the applicable Final Terms to be subject to adjustment in accordance with a business day convention would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:

- (A) in any case where Interest Periods are specified in accordance with Condition 4.2(a)(ii) above, the **Floating Rate** Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (I) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (II) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the applicable Final Terms after the preceding applicable Interest Payment Date occurred; or
- (B) the **Following Business Day** Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the **Modified Following Business Day** Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the **Preceding Business Day** Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (E) the **Modified Preceding Business Day** Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day unless it would thereby fall into the previous calendar month, in which event such Interest Payment Date shall be postponed to the next day which is a Business Day.

In this Condition, **Business Day** means:

- I. a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;

- II. if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and
- III. either (a) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) or (b) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

In these Terms and Conditions:

**euro** 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; and

**TARGET2 System** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

**(b) Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

**(i) ISDA Determination**

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any).

For the purposes of this Condition 4.2(b)(i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as ISDA Calculation Agent (provided that, for the purposes of the Floating Rate Notes, in respect of any obligation which would otherwise fall on an ISDA Calculation Agent to obtain any reference bank quotation(s), the Issuer (and not the Calculation Agent) shall obtain the relevant reference bank quotation(s) from the reference bank(s) and shall provide such quotation(s) to the Calculation Agent) for that swap transaction under the terms of an agreement incorporating:

- (1) if “*2006 ISDA Definitions*” is specified in the applicable Final Terms, the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (**ISDA**) and as amended and updated as at the Issue Date of the first Tranche of the Notes; or
- (2) if “*2021 ISDA Definitions*” is specified in the applicable Final Terms, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions as published by ISDA as at the Issue Date of the first Tranche of the Notes,

(the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity (if applicable) is the period specified in the applicable Final Terms;

- (C) the relevant Reset Date is the date specified as such in the applicable Final Terms; and
- (D) if the Floating Rate Option is an Overnight Floating Rate Option, the Overnight Rate Compounding Method is one of the following, as specified in the applicable Final Terms:
  - (1) Compounding with Lookback, where Lookback is the number of Applicable Business Days specified in the applicable Final Terms;
  - (2) Compounding with Observation Period Shift, where (a) Observation Period Shift is the number of Observation Period Shift Business Days specified in the applicable Final Terms and (b) Observation Period Shift Additional Business Days, if applicable, are the days specified as such in the applicable Final Terms; or
  - (3) Compounding with Lockout, where (a) Lockout is the number of Lockout Period Business Days specified in the Final Terms and (b) Lockout Period Business Days, if applicable, are the days specified as such in the applicable Final Terms;
- (E) if the Floating Rate Option is a Compounded Index Floating Rate Option, the Index Method is Compounded Index Method with Observation Period Shift as specified in the applicable Final Terms, where (a) Observation Period Shift is the number of Observation Period Shift Business Days specified in the applicable Final Terms and (b) Observation Period Shift Additional Business Days are the days, if applicable, specified as such in the applicable Final Terms;
- (F) references in the relevant ISDA Definitions to:
  - (1) “Confirmation” shall be deemed to be references to the applicable Final Terms;
  - (2) “Calculation Period” shall be deemed to be references to the relevant Interest Accrual Period;
  - (3) “Termination Date” shall be deemed to be references to the Maturity Date; and
  - (4) “Effective Date” shall be deemed to be references to the Interest Commencement Date; and
- (G) if the Final Terms specify “2021 ISDA Definitions” as the applicable ISDA Definitions:
  - (1) Administrator/Benchmark Event shall be disappplied; and
  - (2) if the Temporary Non-Publication Fallback for any specified Floating Rate Option is specified to be “Temporary Non-Publication Fallback – Alternative Rate” in the Floating Rate Matrix of the 2021 ISDA Definitions, the reference to “Calculation Agent Alternative Rate Determination” in the definition of “Temporary Non-Publication Fallback – Alternative Rate” shall be replaced by “Temporary Non-Publication Fallback – Previous Day’s Rate”.

In connection with the Overnight Rate Compounding Method, references in the ISDA Definitions to numbers or other items specified in the relevant confirmation shall be deemed to be references to the numbers or other items specified for such purpose in the applicable Final Terms.

For the purposes of this Condition 4.2(b)(i), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity, Reset Date, Overnight Floating Rate Option, Overnight Rate**

**Compounding Method, Compounding with Lookback, Compounding with Observation Period Shift, Compounding with Lockout, Compounded Index Floating Rate Option, Index Method, Compounded Index Method with Observation Period Shift, Applicable Business Days, Observation Period Shift Business Days, Observation Period Shift Additional Business Days and Lockout Period Business Days** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

*Fallback*

If no Rate of Interest can be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be the Rate of Interest determined as at the last preceding Interest Determination Date on which the Rate of Interest was so determined (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is/are to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to the relevant Interest Accrual Period, in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Accrual Period) or, if there is no such preceding Interest Determination Date, the initial Rate of Interest applicable to such Notes on the Interest Commencement Date (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is/are to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to the relevant Interest Accrual Period, in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Accrual Period).

(ii) ***Screen Rate Determination – Term Rate***

This Condition 4.2(b)(ii) applies where the applicable Final Terms specifies both “*Screen Rate Determination*” and “*Term Rate*” to be ‘Applicable’.

(A) The Rate of Interest for each Interest Period will, subject to Condition 4.4 and as provided below, be either:

- I. the offered quotation (if there is only one quotation on the Relevant Screen Page);  
or
- II. the arithmetic mean (rounded upwards if necessary to the nearest 0.0001 per cent.) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) at the Specified Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

- (B) If the Relevant Screen Page is not available or if sub-paragraph (A)(I) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (A)(II) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, the Issuer shall, if applicable, request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate as at approximately 11.00 a.m. (Brussels time, if the Reference Rate is EURIBOR) or (if otherwise specified) the Specified Time in the Relevant Financial Centre (each as indicated in the applicable Final Terms) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded as provided above) of such offered quotations (excluding, if four or more of the Reference Banks provide the Calculation Agent with such quotations and the offered quotations of all such Reference Banks are not the same, the highest and lowest quotations and, if the highest quotation and/or the lowest quotation applies in respect of more than one such Reference Bank, excluding such highest and/or lowest quotation in respect of one such Reference Bank) plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent.
- (C) If on any Interest Determination Date only one or none of the Reference Banks provides the Calculation Agent with such an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being either:
- (i) the arithmetic mean (rounded as provided above) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, which such banks were offered, at approximately 11.00 a.m. (Brussels time, if the Reference Rate is EURIBOR) or (if otherwise specified) the Specified Time in the Relevant Financial Centre (each as indicated in the applicable Final Terms) on the relevant Interest Determination Date (or if such date is not a Business Day, on the immediately preceding Business Day), deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or otherwise the inter-bank market of the Relevant Financial Centre for the relevant Reference Rate, in each case plus or minus (as indicated in the applicable Final Terms) the Margin (if any); or
  - (ii) in the event that the Calculation Agent can determine no such arithmetic mean, the lowest lending rate for lending amounts in the Specified Currency for a period equal to that which would have been used for the Reference Rate at which at approximately 11.00 a.m. (Brussels time, if the Reference Rate is EURIBOR) or (if otherwise specified) the Specified Time in the Relevant Financial Centre (each as indicated in the applicable Final Terms) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or otherwise the inter-bank market of the Relevant Financial Centre, in each case plus or minus (as indicated in the applicable Final Terms) the Margin (if any),

provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be:

- I. that determined as at the last preceding Interest Determination Date on which the Rate of Interest was so determined (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Period in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Period) or;
- II. if there is no such preceding Interest Determination Date, the initial Rate of Interest (but substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is/are to be applied to the relevant Interest Period from that which applied to the initial Interest Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Period in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that initial Interest Period) or, in the case of Notes with an Interest Basis that converts from a Fixed Rate to a Floating Rate, the Fixed Rate of Interest applicable to such Notes immediately prior to conversion of the Interest Basis.

**Reference Banks** means, in the context of Condition 4.2(b)(ii)(A) (I), those banks whose offered rates were used to determine the offered quotation referred to in such Condition when such offered quotation last appeared on the Relevant Screen Page and, in the context of Condition 4.2(b)(ii)(A) (II), those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

(iii) ***Screen Rate Determination – Overnight Rate - Compounded Daily SONIA - Non-Index Determination***

This Condition 4.2(b)(iii) applies where the applicable Final Terms specifies: (1) “*Screen Rate Determination*” and “*Overnight Rate*” to be ‘Applicable’; (2) “*Compounded Daily SONIA*” as the Reference Rate; and (3) “*Index Determination*” to be ‘Not Applicable’.

- (A) The Rate of Interest for an Interest Accrual Period will, subject to Condition 4.4 and as provided below, be Compounded Daily SONIA with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent.

**Compounded Daily SONIA** means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) as calculated by the Calculation Agent as at the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the nearest fifth decimal place, with 0.000005 being rounded upwards):

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{SONIA_i \times n_i}{D} \right) - 1 \right] \times \frac{D}{d}$$

where:

***d*** is the number of calendar days in:

- (i) where “Lag” is specified as the Observation Method in the applicable Final Terms, the relevant Interest Accrual Period; or
- (ii) where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the relevant Observation Period;

**D** is the number specified as such in the applicable Final Terms (or, if no such number is specified, 365);

***d<sub>o</sub>*** means:

- (i) where “Lag” is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days in the relevant Interest Accrual Period; or
- (ii) where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days in the relevant Observation Period;

***i*** is a series of whole numbers from one to “*d<sub>o</sub>*”, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in:

- (i) where “Lag” is specified as the Observation Method in the applicable Final Terms, the relevant Interest Accrual Period; or
- (ii) where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the relevant Observation Period;

**London Banking Day** means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

***n<sub>i</sub>*** for any London Banking Day “*i*”, means the number of calendar days from (and including) such London Banking Day “*i*” up to (but excluding) the following London Banking Day;

**Observation Period** means the period from (and including) the date falling “*p*” London Banking Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling “*p*” London Banking Days prior to (A) (in the case of an Interest Period) the Interest Payment Date for such Interest Period or (B) (in the case of any other Interest Accrual Period) the date on which the relevant payment of interest falls due;

***p*** means:

- (i) where “Lag” is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days specified as the “Lag Period” in the applicable Final Terms (or, if no such number is so specified, five London Banking Days); or
- (ii) where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days

specified as the “Observation Shift Period” in the applicable Final Terms (or, if no such number is specified, five London Banking Days);

the **SONIA reference rate**, in respect of any London Banking Day (**LBD<sub>x</sub>**), is a reference rate equal to the daily Sterling Overnight Index Average (**SONIA**) rate for such **LBD<sub>x</sub>** as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page (or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors) on the London Banking Day immediately following **LBD<sub>x</sub>**; and

**SONIA<sub>i</sub>** means the SONIA reference rate for:

- (i) where “Lag” is specified as the Observation Method in the applicable Final Terms, the London Banking Day falling “*p*” London Banking Days prior to the relevant London Banking Day “*i*”; or
- (ii) where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the relevant London Banking Day “*i*”.

(B) Subject to Condition 4.4, if, where any Rate of Interest is to be calculated pursuant to Condition 4.2(b)(iii)(A) above, in respect of any London Banking Day on which an applicable SONIA reference rate is required to be determined, such SONIA reference rate is not made available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, then the SONIA reference rate in respect of such London Banking Day shall be the rate determined by the Calculation Agent as:

- I. the sum of (i) the Bank of England’s Bank Rate (the **Bank Rate**) prevailing at 5.00 p.m. (London time) (or, if earlier, close of business) on such London Banking Day; and (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Banking Days in respect of which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads); or
- II. if the Bank Rate under (I)(i) above is not available at the relevant time, either (A) the SONIA reference rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Banking Day in respect of which the SONIA reference rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) or (B) if this is more recent, the latest rate determined under (I) above,

and, in each case, references to “SONIA reference rate” in Condition 4.2(b)(iii)(A) above shall be construed accordingly.

(C) In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 4.2(b)(iii), and without prejudice to Condition 4.4, the Rate of Interest shall be:

- (i) that determined as at the last preceding Interest Determination Date on which the Rate of Interest was so determined (though substituting, where a different Margin,



Maximum Rate of Interest and/or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Accrual Period, in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Accrual Period); or

- (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to the Notes for the first scheduled Interest Period had the Notes been in issue for a period equal in duration to the first scheduled Interest Period but ending on (and excluding) the Interest Commencement Date (applying the Margin and, if applicable, any Maximum Rate of Interest and/or Minimum Rate of Interest, applicable to the first scheduled Interest Period),

in each case as determined by the Calculation Agent.

(iv) ***Screen Rate Determination – Overnight Rate - Compounded Daily SONIA - Index Determination***

This Condition 4.2(b)(iv) applies where the applicable Final Terms specifies: (1) “*Screen Rate Determination*” and “*Overnight Rate*” to be ‘Applicable’; (2) “*Compounded Daily SONIA*” as the Reference Rate; and (3) “*Index Determination*” to be ‘Applicable’.

- (A) The Rate of Interest for an Interest Accrual Period will, subject to Condition 4.4 and as provided below, be the Compounded Daily SONIA Rate with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent.

**Compounded Daily SONIA Rate** means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) (expressed as a percentage and rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) determined by the Calculation Agent by reference to the screen rate or index for compounded daily SONIA rates administered by the administrator of the SONIA reference rate that is published or displayed on the Relevant Screen Page specified in the applicable Final Terms or, if no such page is so specified or if such page is unavailable at the relevant time, as otherwise published or displayed by such administrator or other information service from time to time on the relevant Interest Determination Date (the **SONIA Compounded Index**), and in accordance with the following formula:

$$\text{Compounded Daily SONIA Rate} = \left( \frac{\text{SONIA Compounded Index}_{\text{End}}}{\text{SONIA Compounded Index}_{\text{Start}}} - 1 \right) \times \frac{365}{d}$$

where:

- d** is the number of calendar days from (and including) the day in relation to which SONIA Compounded Index<sub>Start</sub> is determined to (but excluding) the day in relation to which SONIA Compounded Index<sub>End</sub> is determined;

**London Banking Day** means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

**Relevant Number** is the number specified as such in the applicable Final Terms (or, if no such number is specified, five);

**SONIA Compounded Index<sub>Start</sub>** means, with respect to an Interest Accrual Period, the SONIA Compounded Index determined in relation to the day falling the Relevant Number of London Banking Days prior to the first day of such Interest Accrual Period; and

**SONIA Compounded Index<sub>End</sub>** means, with respect to an Interest Accrual Period, the SONIA Compounded Index determined in relation to the day falling the Relevant Number of London Banking Days prior to (A) the Interest Payment Date for such Interest Accrual Period, or (B) such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Accrual Period).

- (B) If the relevant SONIA Compounded Index is not published or displayed by the administrator of the SONIA reference rate or other information service by 5.00 p.m. (London time) (or, if later, by the time falling one hour after the customary or scheduled time for publication thereof in accordance with the then-prevailing operational procedures of the administrator of the SONIA reference rate or of such other information service, as the case may be) on the relevant Interest Determination Date, the Compounded Daily SONIA Rate for the applicable Interest Accrual Period for which the SONIA Compounded Index is not available shall be “Compounded Daily SONIA” determined in accordance with Condition 4.2(b)(iii) above as if “*Index Determination*” were specified in the applicable Final Terms as being ‘Not Applicable’, and for these purposes: (i) the “*Observation Method*” shall be deemed to be “*Observation Shift*” and (ii) the “*Observation Shift Period*” shall be deemed to be equal to the Relevant Number of London Banking Days, as if those alternative elections had been made in the applicable Final Terms.

(v) ***Screen Rate Determination – Overnight Rate – SOFR – Non-Index Determination***

This Condition 4.2(b)(v) applies where the applicable Final Terms specifies: (1) “*Screen Rate Determination*” and “*Overnight Rate*” to be ‘Applicable’; (2) either “*Compounded Daily SOFR*” or “*Weighted Average SOFR*” as the Reference Rate; and (3) “*Index Determination*” to be ‘Not Applicable’.

Where the applicable Final Terms specifies the Reference Rate to be “*Compounded Daily SOFR*”, the provisions of paragraph (A) below of this Condition 4.2(b)(v) apply.

Where the applicable Final Terms specifies the Reference Rate to be “*Weighted Average SOFR*”, the provisions of paragraph (B) below of this Condition 4.2(b)(v) apply.

(A) ***Compounded Daily SOFR***

Where this paragraph (A) applies, the Rate of Interest for an Interest Accrual Period will, subject to Condition 4.4 and as provided below, be Compounded Daily SOFR with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent.

**Compounded Daily SOFR** means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment (with the daily U.S. dollars secured overnight financing rate as reference rate for the calculation of interest) as calculated by the Calculation Agent as at the relevant Interest Determination Date in accordance with the

following formula (and the resulting percentage will be rounded if necessary to the nearest fifth decimal place, with 0.000005 being rounded upwards):

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{SOFR_i \times n_i}{D} \right) - 1 \right] \times \frac{D}{d}$$

where:

***d*** is the number of calendar days in:

- (i) where “Lag” or “Lock-out” is specified as the Observation Method in the applicable Final Terms, the relevant Interest Accrual Period; or
- (ii) where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the relevant Observation Period;

***D*** is the number specified as such in the applicable Final Terms (or, if no such number is specified, 360);

***d<sub>o</sub>*** means:

- (i) where “Lag” or “Lock-out” is specified as the Observation Method in the applicable Final Terms, the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period; or
- (ii) where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the number of U.S. Government Securities Business Days in the relevant Observation Period;

***i*** is a series of whole numbers from one to “*d<sub>o</sub>*”, each representing the relevant U.S. Government Securities Business Day in chronological order from, and including, the first U.S. Government Securities Business Day in:

- (i) where “Lag” or “Lock-out” is specified as the Observation Method in the applicable Final Terms, the relevant Interest Accrual Period; or
- (ii) where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the relevant Observation Period;

**Lock-out Period** means the period from (and including) the day following the Interest Determination Date to (but excluding) the corresponding Interest Payment Date;

**New York Fed’s Website** means the website of the Federal Reserve Bank of New York (or a successor administrator of SOFR) or any successor source;

***n<sub>i</sub>*** for any U.S. Government Securities Business Day “*i*”, means the number of calendar days from (and including) such U.S. Government Securities Business Day “*i*” up to (but excluding) the following U.S. Government Securities Business Day;

**Observation Period** means the period from (and including) the date falling “*p*” U.S. Government Securities Business Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling “*p*” U.S. Government Securities

Business Days prior to (A) (in the case of an Interest Period) the Interest Payment Date for such Interest Period or (B) (in the case of any other Interest Accrual Period) the date on which the relevant payment of interest falls due;

***p*** means:

- (i) where “Lag” is specified as the Observation Method in the applicable Final Terms, the number of U.S. Government Securities Business Days specified as the “Lag Period” in the applicable Final Terms (or, if no such number is so specified, five U.S. Government Securities Business Days);
- (ii) where “Lock-out” is specified as the Observation Method in the applicable Final Terms, zero U.S. Government Securities Business Days; or
- (iii) where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the number of U.S. Government Securities Business Days specified as the “Observation Shift Period” in the applicable Final Terms (or, if no such number is specified, five U.S. Government Securities Business Days);

**Reference Day** means each U.S. Government Securities Business Day in the relevant Interest Accrual Period, other than any U.S. Government Securities Business Day in the Lock-out Period;

**SOFR** in respect of any U.S. Government Securities Business Day (**USBD<sub>x</sub>**), is a reference rate equal to the daily secured overnight financing rate as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) on the New York Fed’s Website, in each case at or around 3.00 p.m. (New York City time) on the U.S. Government Securities Business Day immediately following such USBD<sub>x</sub>;

**SOFR<sub>i</sub>** means the SOFR for:

- (i) where “Lag” is specified as the Observation Method in the applicable Final Terms, the U.S. Government Securities Business Day falling “*p*” U.S. Government Securities Business Days prior to the relevant U.S. Government Securities Business Day “*i*”;
- (ii) where “Lock-out” is specified as the Observation Method in the applicable Final Terms:
  - (I) in respect of each U.S. Government Securities Business Day “*i*” that is a Reference Day, the SOFR in respect of the U.S. Government Securities Business Day immediately preceding such Reference Day; or
  - (II) in respect of each U.S. Government Securities Business Day “*i*” that is not a Reference Day (being a U.S. Government Securities Business Day in the Lock-out Period), the SOFR in respect of the U.S. Government Securities Business Day immediately preceding the last Reference Day of the relevant Interest Accrual Period (such last Reference Day coinciding with the Interest Determination Date); or

- (iii) where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the relevant U.S. Government Securities Business Day “*t*”; and

**U.S. Government Securities Business Day** means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

**(B) *Weighted Average SOFR***

Where this paragraph (B) applies, the Rate of Interest for an Interest Accrual Period will, subject to Condition 4.4 and as provided below, be the Weighted Average SOFR with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as calculated by the Calculation Agent as of the Interest Determination Date (and rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards), where:

**Weighted Average SOFR** means:

- (i) where “Lag” is specified as the Observation Method in the applicable Final Terms, the arithmetic mean of the SOFR in effect for each calendar day during the relevant Observation Period, calculated by multiplying each relevant SOFR by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Observation Period. For these purposes, the SOFR in effect for any calendar day which is not a U.S. Government Securities Business Day shall be deemed to be the SOFR in effect for the U.S. Government Securities Business Day immediately preceding such calendar day; and
- (ii) where “Lock-out” is specified as the Observation Method in the applicable Final Terms, the arithmetic mean of the SOFR in effect for each calendar day during the relevant Interest Accrual Period, calculated by multiplying each relevant SOFR by the number of days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Accrual Period, *provided* however that for any calendar day of such Interest Accrual Period falling in the Lock-out Period, the relevant SOFR for each day during that Lock-out Period will be deemed to be the SOFR in effect for the Reference Day immediately preceding the first day of such Lock-out Period. For these purposes, the SOFR in effect for any calendar day which is not a U.S. Government Securities Business Day shall, subject to the proviso above, be deemed to be the SOFR in effect for the U.S. Government Securities Business Day immediately preceding such calendar day.

Defined terms used in this paragraph (B) and not otherwise defined herein have the meanings given to them in paragraph (A) above of this Condition 4.2(b)(v).

**(C) *SOFR Unavailable***

Subject to Condition 4.4, if, where any Rate of Interest is to be calculated pursuant to this Condition 4.2(b)(v), in respect of any U.S. Government Securities Business Day in respect of which an applicable SOFR is required to be determined, such SOFR is not available,

such SOFR shall be the SOFR for the first preceding U.S. Government Securities Business Day in respect of which the SOFR was published on the New York Fed's Website.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 4.2(b)(v) but without prejudice to Condition 4.4, the Rate of Interest shall be calculated in accordance, *mutatis mutandis*, with the provisions of Condition 4.2(b)(iii)(C).

(vi) **Screen Rate Determination – Overnight Rate - SOFR - Index Determination**

This Condition 4.2(b)(vi) applies where the applicable Final Terms specifies: (1) “*Screen Rate Determination*” and “*Overnight Rate*” to be ‘Applicable’; (2) “*Compounded Daily SOFR*” as the Reference Rate; and (2) “*Index Determination*” to be ‘Applicable’.

- (A) The Rate of Interest for an Interest Accrual Period will, subject to Condition 4.4 and as provided below, be the Compounded SOFR with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent.

**Compounded SOFR** means, with respect to an Interest Accrual Period, the rate (expressed as a percentage and rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) determined by the Calculation Agent in accordance with the following formula:

$$\left( \frac{SOFR Index_{X_{End}}}{SOFR Index_{X_{Start}}} - 1 \right) \times \frac{360}{d_c}$$

where:

$d_c$  is the number of calendar days from (and including) the day in relation to which  $SOFR Index_{X_{Start}}$  is determined to (but excluding) the day in relation to which  $SOFR Index_{X_{End}}$  is determined;

**Relevant Number** is the number specified as such in the applicable Final Terms (or, if no such number is specified, five);

**SOFR** means the daily secured overnight financing rate as provided by the SOFR Administrator on the SOFR Administrator's Website;

**SOFR Administrator** means the Federal Reserve Bank of New York (or a successor administrator of SOFR);

**SOFR Administrator's Website** means the website of the SOFR Administrator, or any successor source;

**SOFR Index**, with respect to any U.S. Government Securities Business Day, means the SOFR index value as published by the SOFR Administrator as such index appears on the SOFR Administrator's Website at or around 3.00 p.m. (New York time) on such U.S. Government Securities Business Day (the **SOFR Determination Time**);

**SOFR Index<sub>Start</sub>**, with respect to an Interest Accrual Period, is the SOFR Index value for the day which is the Relevant Number of U.S. Government Securities Business Days preceding the first day of such Interest Accrual Period;

**SOFR Index<sub>End</sub>**, with respect to an Interest Accrual Period, is the SOFR Index value for the day which is the Relevant Number of U.S. Government Securities Business Days preceding (A) the Interest Payment Date for such Interest Accrual Period, or (B) such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Accrual Period); and

**U.S. Government Securities Business Day** means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

- (B) If, as at any relevant SOFR Determination Time, the relevant SOFR Index is not published or displayed on the SOFR Administrator's Website by the SOFR Administrator, the Compounded SOFR for the applicable Interest Accrual Period for which the relevant SOFR Index is not available shall be "Compounded Daily SOFR" determined in accordance with Condition 4.2(b)(v) above as if "*Index Determination*" were specified in the applicable Final Terms as being 'Not Applicable', and for these purposes: (i) the "*Observation Method*" shall be deemed to be "*Observation Shift*" and (ii) the "*Observation Shift Period*" shall be deemed to be equal to the Relevant Number of U.S. Government Securities Business Days, as if such alternative elections had been made in the applicable Final Terms.

(vii) ***Screen Rate Determination – Overnight Rate - Compounded Daily €STR – Non-Index Determination***

This Condition 4.2(b)(vii) applies where the applicable Final Terms specifies: (1) "*Screen Rate Determination*" and "*Overnight Rate*" to be 'Applicable'; (2) "*Compounded Daily €STR*" as the Reference Rate; and (3) "*Index Determination*" to be 'Not Applicable'.

- (A) The Rate of Interest for an Interest Accrual Period will, subject to Condition 4.4 and as provided below, be Compounded Daily €STR with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent.

**Compounded Daily €STR** means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment (with the daily euro short-term rate as reference rate for the calculation of interest) as calculated by the Calculation Agent as at the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the nearest fifth decimal place, with 0.000005 being rounded upwards):

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{\text{€STR}_i \times n_i}{D} \right) - 1 \right] \times \frac{D}{d}$$

where:

the **€STR reference rate**, in respect of any TARGET Business Day (**TBD<sub>x</sub>**), is a reference rate equal to the daily euro short-term rate (**€STR**) for such TBD<sub>x</sub> as provided by the European Central Bank as the administrator of €STR (or any successor administrator of such rate) on the website of the European Central Bank (or, if no longer published on its website, as

otherwise published by it or provided by it to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors) on the TARGET Business Day immediately following  $TBD_x$  (in each case, at the time specified by, or determined in accordance with, the applicable methodology, policies or guidelines, of the European Central Bank or the successor administrator of such rate);

**€STR<sub>i</sub>** means the €STR reference rate for:

- (i) where “Lag” is specified as the Observation Method in the applicable Final Terms, the TARGET Business Day falling “ $p$ ” TARGET Business Days prior to the relevant TARGET Business Day “ $i$ ”; or
- (ii) where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the relevant TARGET Business Day “ $i$ ”.

**$d$**  is the number of calendar days in:

- (i) where “Lag” is specified as the Observation Method in the applicable Final Terms, the relevant Interest Accrual Period; or
- (ii) where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the relevant Observation Period;

**D** is the number specified as such in the applicable Final Terms (or, if no such number is specified, 360);

**$d_o$**  means:

- (i) where “Lag” is specified as the Observation Method in the applicable Final Terms, the number of TARGET Business Days in the relevant Interest Accrual Period; or
- (ii) where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the number of TARGET Business Days in the relevant Observation Period;

**$i$**  is a series of whole numbers from one to “ $d_o$ ”, each representing the relevant TARGET Business Day in chronological order from, and including, the first TARGET Business Day in:

- (i) where “Lag” is specified as the Observation Method in the applicable Final Terms, the relevant Interest Accrual Period; or
- (ii) where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the relevant Observation Period;

**$n_i$**  for any TARGET Business Day “ $i$ ”, means the number of calendar days from (and including) such TARGET Business Day “ $i$ ” up to (but excluding) the following TARGET Business Day;



**Observation Period** means the period from (and including) the date falling “*p*” TARGET Business Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling “*p*” TARGET Business Days prior to (A) (in the case of an Interest Period) the Interest Payment Date for such Interest Period or (B) (in the case of any other Interest Accrual Period) the date on which the relevant payment of interest falls due;

*p* means:

- (i) where “Lag” is specified as the Observation Method in the applicable Final Terms, the number of TARGET Business Days specified as the “Lag Period” in the applicable Final Terms (or, if no such number is so specified, five TARGET Business Days); or
- (ii) where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the number of TARGET Business Days specified as the “Observation Shift Period” in the applicable Final Terms (or, if no such number is specified, five TARGET Business Days); and

**TARGET Business Day** means any day on which the TARGET2 System is open.

- (B) Subject to Condition 4.4, if, where any Rate of Interest is to be calculated pursuant to Condition 4.2(b)(vii)(A) above, in respect of any TARGET Business Day in respect of which an applicable €STR reference rate is required to be determined, such €STR reference rate is not made available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, then the €STR reference rate in respect of such TARGET Business Day shall be the €STR reference rate for the first preceding TARGET Business Day in respect of which €STR reference rate was published by the European Central Bank on its website, as determined by the Calculation Agent.
- (C) In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 4.2(b)(vii) but without prejudice to Condition 4.4, the Rate of Interest shall be calculated in accordance, *mutatis mutandis*, with the provisions of Condition 4.2(b)(iii)(C).

(viii) ***Interest Accrual Period***

As used herein, an **Interest Accrual Period** means (i) each Interest Period and (ii) any other period (if any) in respect of which interest is to be calculated, being the period from (and including) the first day of such period to (but excluding) the day on which the relevant payment of interest falls due (which, if the Notes become due and payable in accordance with Condition 10 or Condition 11 (as applicable), shall be the date on which the Notes become due and payable).

(ix) ***Determination of Rate of Interest following acceleration***

If the Notes become due and payable in accordance with Condition 10 or Condition 11 (as applicable), then:

- (A) if the applicable Final Terms specifies “*Screen Rate Determination*” and “*Overnight Rate*” to be ‘*Applicable*’, the final Rate of Interest shall be calculated for the Interest Accrual Period to (but excluding) the date on which the Notes become so due and payable; and

(B) in all other cases, the Rate of Interest applicable to the Notes from time to time shall continue to be calculated in accordance with Clause 2.2 of the Trust Deed,

and (in either case) such Rate of Interest shall continue to apply to the Notes for so long as interest continues to accrue thereon as provided in Condition 4.5 and the Trust Deed.

(c) **Minimum and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period and if, but for this Condition 4.2(c), the Rate of Interest determined for such Interest Period (or any Interest Accrual Period falling within such Interest Period) would be less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period (or such Interest Accrual Period falling within such Interest Period) shall be equal to such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period and if, but for this Condition 4.2(c), the Rate of Interest for such Interest Period (or any Interest Accrual Period falling within such Interest Period) would be greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period (or such Interest Accrual Period falling within such Interest Period) shall be equal to such Maximum Rate of Interest.

(d) **Determination of Rate of Interest and calculation of Interest Amount**

The Calculation Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period (or other Interest Accrual Period).

The Calculation Agent will calculate the amount of interest (each an **Interest Amount**) for the relevant Interest Period (or other Interest Accrual Period). Each Interest Amount shall be calculated by applying the Rate of Interest to:

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

and, in each case, multiplying such sum by the Day Count Fraction specified in the applicable Final Terms. The resultant figure will be rounded as follows (or otherwise in accordance with applicable market convention):

- (i) all United States Dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up);
- (ii) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen; and
- (iii) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

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

In this Condition 4.2, **Calculation Agent** means the Agent or such other party identified as the Calculation Agent in the applicable Final Terms.

(e) **Linear Interpolation**

Where Linear Interpolation is specified as “Applicable” in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as “Applicable” in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as “Applicable” in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which rates are available next longer than the length of the relevant Interest Period; *provided however* that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser as soon as reasonably practicable, with a view to such Independent Adviser determining such rate at such time and by reference to such sources as it determines appropriate for the purposes of the calculation of the Rate of Interest. The Independent Adviser shall instruct the Calculation Agent as to such rate. The Independent Adviser will consult with the Issuer with respect to such determination.

If, notwithstanding the use of reasonable endeavours, the Issuer is unable to appoint an Independent Adviser, or if an Independent Adviser is appointed by the Issuer but fails to make any relevant determination specified to be made by it under this Condition 4.2(e) prior to the relevant Interest Determination Date, the Issuer itself (acting in good faith and in a commercially reasonable manner) shall be entitled to determine the Rate of Interest.

An Independent Adviser appointed pursuant to this Condition 4.2(e) shall act in good faith and (in the absence of bad faith or fraud) neither the Issuer nor any Independent Adviser shall have any liability whatsoever to the Trustee, the Agents or the holders of any Notes or Coupons for any determination made by it pursuant to this Condition 4.2(e).

**Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) **Notification of Rate of Interest and Interest Amounts**

This Condition 4.2(b)(ii) applies where the applicable Final Terms specifies both “*Screen Rate Determination*” and “*Term Rate*” to be ‘Applicable’.

- (A) Except where the applicable Final Terms specifies both “*Screen Rate Determination*” and “*Overnight Rate*” to be ‘Applicable’, the Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Trustee and to any listing authority, stock exchange and/or quotation system to which the Floating Rate Notes have then been admitted to listing, trading and/or quotation and to be published in accordance with Condition 18 as soon as possible after their determination but in no event later than the fourth Business Day (as defined in Condition 4.2(a) above) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will promptly be notified to each listing authority, stock exchange and/or quotation system to which the Floating Rate Notes have then been admitted to listing, trading and/or quotation and to the Noteholders in accordance with Condition 18.
- (B) Where the applicable Final Terms specifies both “*Screen Rate Determination*” and “*Overnight Rate*” to be ‘Applicable’, the Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Accrual Period and the relevant Interest Payment

Date to be notified to the Trustee and to any listing authority, stock exchange and/or quotation system to which the Floating Rate Notes have then been admitted to listing, trading and/or quotation and to be published in accordance with Condition 18 as soon as possible after their determination but in no event later than the second Business Day thereafter. Each Rate of Interest, Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the relevant Interest Accrual Period. Any such amendment or alternative arrangements will promptly be notified to each listing authority, stock exchange and/or quotation system to which the Floating Rate Notes have then been admitted to listing, trading and/or quotation and to the Noteholders in accordance with Condition 18.

(g) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2, whether by the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent, the Trustee, the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions pursuant to such provisions.

**4.3 Interest on Reset Notes**

(a) **Rates of Interest and Interest Payment Dates**

Each Reset Note bears interest on its outstanding nominal amount:

- (i) from (and including) the Interest Commencement Date specified in the applicable Final Terms to (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;
- (ii) from (and including) the First Reset Date to (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and
- (iii) if applicable, from (and including) the Second Reset Date to (but excluding) the first Subsequent Reset Date (if any, or otherwise the Maturity Date), and each successive period from (and including) any Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date (if any, or otherwise the Maturity Date) (each a **Subsequent Reset Period**) at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

(in each case rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) payable, in each case, in arrear on the Interest Payment Date(s) in each year and on the Maturity Date so specified if that does not fall on an Interest Payment Date.

The Rate of Interest and the amount of interest (the **Interest Amount**) payable shall be determined by the Calculation Agent, (A) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, and (B) in the case of the Interest Amount in accordance with the provisions for calculating amounts of interest in Condition 4.1 and, for such purposes, references in Condition 4.1 to “Fixed Rate Notes” and “Fixed Interest Date” shall be deemed to be to “Reset Notes” and “Interest Payment Date”, respectively, and Condition 4.1 shall be construed accordingly.

In this Condition 4.3:

**Calculation Agent** means the Agent or such other party identified as the Calculation Agent in the applicable Final Terms;

**CMT Rate** means (subject to Condition 4.4, if applicable), in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the rate determined by the Calculation Agent, and expressed as a percentage, equal to:

- (i) if the Reuters T7051 Page is specified in the applicable Final Terms as the Designated CMT Reuters Page:
  - (a) the yield for United States Treasury securities at “constant maturity” having the Designated CMT Maturity Index specified in the applicable Final Terms as published in H.15 under the caption “Treasury Constant Maturities”, as the yield is displayed on Reuters (or any successor service) on page FRBCMT (or any other page as may replace the specified page on that service or successor service) (**T7051 Page**), on such Reset Determination Date; or
  - (b) if the rate referred to in paragraph (a) does not so appear on the T7051 Page by 4:00 p.m. (New York City time) on the relevant Reset Determination Date, the percentage equal to the yield for United States Treasury securities at “constant maturity” having the particular Designated CMT Maturity Index and for such Reset Determination Date as published in H.15 under the caption “Treasury Constant Maturities”; or
  - (c) if the rate referred to in paragraph (b) does not so appear in H.15 by 4:30 p.m. (New York City time) on the relevant Reset Determination Date, the rate on such Reset Determination Date for the period of the particular Designated CMT Maturity Index as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15; or
  - (d) if the rate referred to in paragraph (c) is not so published, the rate on such Reset Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 5:00 p.m. (New York City time) on that Reset Determination Date of three leading primary United States government securities dealers in The City of New York (which may include the agents or their affiliates) (each, a **Reference Dealer**), selected by the Issuer and provided by the Issuer to the Calculation Agent from five Reference Dealers so selected by the Issuer and 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, for United States Treasury securities with an original maturity equal to the particular Designated CMT Maturity Index, a remaining term to maturity no more than one year shorter than that Designated CMT Maturity Index and in a nominal amount that is representative for a single transaction in the securities in that market at that time; or
  - (e) if fewer than five but more than two of the prices referred to in paragraph (d) are provided as requested, the rate on such Reset Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated; or
  - (f) if fewer than three prices referred to in paragraph (d) are provided as requested, the rate on such Reset Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 5:00 p.m. (New York City time) on that Reset Determination Date of three Reference Dealers selected by the Issuer and provided by the Issuer to the Calculation Agent from five Reference Dealers so selected by the Issuer and 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, for United States Treasury securities with an original maturity greater than the particular Designated CMT Maturity Index, a remaining term to maturity closest to that Designated CMT Maturity Index and in a nominal amount that is representative for a single transaction in the securities in that market at that time; or

- (g) if fewer than five but more than two prices referred to in paragraph (f) are provided as requested, the rate on such Reset Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations will be eliminated; or
  - (h) if fewer than three prices referred to in paragraph (f) are provided as requested, the CMT Rate determined as at the previous Reset Determination Date (or, if there is no previous Reset Determination Date, the rate determined by subtracting the First Margin from the Initial Rate of Interest); or
- (ii) if the Reuters Page T7052 is specified in the applicable Final Terms as the Designated CMT Reuters Page:
- (a) the percentage equal to the one-week average yield for United States Treasury securities at “constant maturity” having the Designated CMT Maturity Index specified in the applicable Final Terms as published in H.15 under the caption “Week Ending” and opposite the caption “Treasury Constant Maturities”, as the yield is displayed on Reuters (or any successor service) on page FEDCMT (or any other page as may replace the specified page on that service or any successor service) (**T7052 Page**), for the week preceding the week in which such Reset Determination Date falls; or
  - (b) if the rate referred to in paragraph (a) does not so appear on the T7052 Page, the percentage equal to the one-week average yield for United States Treasury securities at “constant maturity” having the particular Designated CMT Maturity Index and for the week preceding such Reset Determination Date as published in H.15 under the caption “Week Ending” and opposite the caption “Treasury Constant Maturities”; or
  - (c) if the rate referred to in paragraph (b) does not so appear in H.15, the one-week average yield for United States Treasury securities at “constant maturity” having the particular Designated CMT Maturity Index as otherwise announced by the Federal Reserve Bank of New York for the week preceding the week in which such Reset Determination Date falls; or
  - (d) if the rate referred to in paragraph (c) is not so published, the rate on such Reset Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 5:00 p.m. (New York City time) on that Reset Determination Date of three Reference Dealers (as defined above) selected by the Issuer and provided by the Issuer to the Calculation Agent from five Reference Dealers so selected by the Issuer and 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, for United States Treasury securities with an original maturity equal to the particular Designated CMT Maturity Index, a remaining term to maturity no more than one year shorter than that Designated CMT Maturity Index and in a nominal amount that is representative for a single transaction in the securities in that market at that time; or
  - (e) if fewer than five but more than two of the prices referred to in paragraph (d) are provided as requested, the rate on such Reset Determination Date calculated by the Calculation

Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated; or

- (f) if fewer than three prices referred to in paragraph (d) are provided as requested, the rate on such Reset Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 5:00 p.m. (New York City time) on that Reset Determination Date of three Reference Dealers selected by the Issuer and provided by the Issuer to the Calculation Agent from five Reference Dealers so selected by the Calculation Agent and 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, for United States Treasury securities with an original maturity greater than the particular Designated CMT Maturity Index, a remaining term to maturity closest to that Designated CMT Maturity Index and in a nominal amount that is representative for a single transaction in the securities in that market at the time; or
- (g) if fewer than five but more than two prices referred to in paragraph (f) are provided as requested, the rate on such Reset Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest or the lowest of the quotations will be eliminated; or
- (h) if fewer than three prices referred to in paragraph (f) are provided as requested, the CMT Rate determined as at the previous Reset Determination Date (or, if there is no previous Reset Determination Date, the rate determined by subtracting the First Margin from the Initial Rate of Interest),

and, in each case, if two United States Treasury securities with an original maturity greater than the Designated CMT Maturity Index specified in the applicable Final Terms have remaining terms to maturity equally close to the particular Designated CMT Maturity Index, the quotes for the United States Treasury security with the shorter original remaining term to maturity will be used;

**Designated CMT Maturity Index** means the original period to maturity of the U.S. Treasury securities (being 1, 2, 3, 5, 7, 10, 20 or 30 years or such other period) specified in the applicable Final Terms with respect to which the CMT Rate will be calculated;

**First Margin** means the margin specified as such in the applicable Final Terms;

**First Reset Date** means the date specified as such in the applicable Final Terms;

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

**First Reset Rate of Interest** means, in respect of the First Reset Period and subject (if applicable) to Conditions 4.3(b) and 4.4, the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum, converted (if the Reference Rate is either Mid-Swaps or the Reference Bond Yield), if not already on the same basis, from a basis equivalent to the Fixed Leg Swap Duration specified in the applicable Final Terms or the Reference Bond Yield, as the case may be, to a basis equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (such calculation to be determined by the Issuer in conjunction with a leading financial institution selected by it), of (A) the relevant Reset Reference Rate and (B) the First Margin;

**Fixed Leg Swap Duration** has the meaning specified in the applicable Final Terms;

**Floating Leg Swap Duration** has the meaning specified in the applicable Final Terms;

**H.15** means the daily statistical release designated as H.15, or any successor publication, published by the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/H15> or any successor site or publication;

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

**Mid-Market Swap Rate** means, subject to Conditions 4.3(b) and (if applicable) 4.4, for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Fixed Leg Swap Duration (calculated on the basis of the Day Count Fraction as specified in the applicable Final Terms as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Floating Leg Swap Duration (calculated on the day count basis specified for such Mid-Swap Floating Leg Benchmark Rate, as determined by the Calculation Agent);

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

**Mid-Swap Floating Leg Benchmark Rate** means (subject to Condition 4.4, if applicable) the reference rate specified as such in the applicable Final Terms or, if no such reference rate is so specified:

- (i) if the Specified Currency is euro, the EURIBOR rate for the Floating Leg Swap Duration (calculated on an Actual/360 day count basis);
- (ii) if the Specified Currency is pounds sterling, the overnight SONIA rate compounded for the Floating Leg Swap Duration (calculated on an Actual/365 day count basis);
- (iii) if the Specified Currency is U.S. dollars, the overnight SOFR rate compounded for the Floating Leg Swap Duration (calculated on an Actual/360 day count basis); or
- (iv) if the Specified Currency is a currency other than euro, pounds sterling or U.S. dollars, the reference rate customary for determining the mid-swap floating leg for swaps in the relevant Specified Currency at such time, (calculated on such day count basis as is then customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

**Mid-Swap Rate** means, in relation to a Reset Determination Date and subject to Conditions 4.3(b) and (if applicable) 4.4, either:

- (i) if “*Single Mid-Swap Rate*” is specified in the applicable Final Terms, the rate for swaps in the Specified Currency:
  - (A) with a term equal to the relevant Reset Period; and
  - (B) commencing on the relevant Reset Date,which appears on the Relevant Screen Page or such replacement page on that service which displays the information; or
- (ii) if “*Mean Mid-Swap Rate*” is specified in the applicable Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:
  - (A) with a term equal to the relevant Reset Period; and
  - (B) commencing on the relevant Reset Date,



which appear on the Relevant Screen Page or such replacement page on that service which displays the information,

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent provided, however, that if there is no such rate appearing on the Relevant Screen Page for a term equal to the relevant Reset Period, then the Mid-Swap Rate shall be determined through the use of straight-line interpolation by reference to two rates, one of which shall be determined in accordance with the above provisions, but as if the relevant Reset Period were the period of time for which rates are available next shorter than the length of the actual Reset Period and the other of which shall be determined in accordance with the above provisions, but as if the relevant Reset Period were the period of time for which rates are available next longer than the length of the actual Reset Period;

**Mid-Swap Reference Banks** means the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute or an Independent Adviser;

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

**Reference Bond** means for any Reset Period a government security or securities issued by the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, and unless otherwise specified in the applicable Final Terms, shall be Germany) selected by the Issuer on the advice of an investment bank of international repute or an Independent Adviser as having an actual or interpolated maturity comparable with the relevant Reset Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the relevant Reset Period;

**Reference Bond Reset Rate Time** means the time specified in the applicable Final Terms;

**Reference Bond Yield** means the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Reference Bond, expressed as a percentage, as determined by the Calculation Agent as follows on the basis of the Reference Bond Dealer Quotations provided to the Calculation Agent (upon request by the Issuer) by the Reference Bond Dealers at or around the relevant Reference Bond Reset Rate Time on the relevant Reset Determination Date. If four or more Reference Bond Dealer Quotations are so provided, the Reset Reference Rate shall be the arithmetic average of such Reference Bond Dealer Quotations after excluding the highest (or, in the event of equality, one of the highest) and lowest (or, in the event of equality, one of the lowest) such Reference Bond Dealer Quotations. If only two or three Reference Bond Dealer Quotations are so provided, the Reset Reference Rate shall be the arithmetic average of all such quotations. If only one Reference Bond Dealer Quotation is so provided, the Reset Reference Rate shall be the quotation provided. If no Reference Bond Dealer Quotations are so provided, the Reset Reference Rate will be (i) in the case of each Reset Period other than the First Reset Period, the Reset Reference Rate in respect of the immediately preceding Reset Period or (ii) in the case of the First Reset Period, the “Reference Bond Fallback Rate” set out in the applicable Final Terms;

**Reference Bond Dealer** means each of five banks (selected by the Issuer on the advice of an investment bank of international repute), or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

**Reference Bond Dealer Quotations** means, with respect to each Reference Bond Dealer and the relevant Reset Determination Date, the arithmetic mean average, as determined by the Calculation Agent, of the bid and offered yields to maturity or interpolated yields to maturity (on the relevant day count basis) for the relevant Reference Bond (expressed in each case as a percentage) at or

around the Reference Bond Reset Rate Time on the relevant Reset Determination Date quoted in writing to the Calculation Agent by such Reference Bond Dealer acting on the Issuer's request;

**Relevant Screen Page** means the screen page specified in the applicable Final Terms (or any successor or replacement screen displaying the relevant information);

**Reset Business Day** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Business Centre specified in the applicable Final Terms;

**Reset Date** means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable);

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

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

**Reset Reference Rate** means:

- (i) if "*CMT Rate*" is specified in the applicable Final Terms, the CMT Rate;
- (ii) if "*Mid-Swaps*" is specified in the applicable Final Terms, the Mid-Swap Rate; or
- (iii) if "*Reference Bond*" is specified in the applicable Final Terms, the Reference Bond Yield;

**Second Reset Date** means the date specified as such in the applicable Final Terms;

**Subsequent Margin** means the margin specified as such in the applicable Final Terms;

**Subsequent Reset Date** means the date or dates specified as such in, or determined in accordance with, the applicable Final Terms;

**Subsequent Reset Period** means (i) the period from (and including) the Second Reset Date to (but excluding) the next Reset Date, and (ii) each successive period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date (or, in the case of the final Subsequent Reset Period, the Maturity Date); and

**Subsequent Reset Rate of Interest** means, in respect of any Subsequent Reset Period and subject (if applicable) to Conditions 4.3(b) and 4.4, the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum, converted (if the Reference Rate is either Mid-Swaps or the Reference Bond Yield), if not already on the same basis, from a basis equivalent to the Fixed Leg Swap Duration specified in the applicable Final Terms or the Reference Bond Yield, as the case may be, to a basis equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (such calculation to be determined by the Issuer in conjunction with a leading financial institution selected by it), of (A) the relevant Reset Reference Rate and (B) the relevant Subsequent Margin.

**(b) Fallbacks for Mid-Swap Rate**

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Issuer shall request each of the Mid-Swap Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Mid-Swap Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum (converted as set out in the definition of such term above) of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one of the Mid-Swap Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be the sum (converted as set out in the definition of such term above) of (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotation and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date none of the Mid-Swap Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this Condition 4.3(b), the First Reset Rate of Interest or the relevant Subsequent Reset Rate of Interest (as applicable) shall be determined by the Calculation Agent as if, and on the assumption that, the relevant Reset Reference Rate were equal to:

- (i) the Mid-Swap Rate as if determined as at the latest date (the **Latest Publication Date**) on which the relevant swap rate (if “*Single Mid-Swap Rate*” is specified in the applicable Final Terms) or swap rate quotations (if “*Mean Mid-Swap Rate*” is specified in the applicable Final Terms) for a swap in the Specified Currency with a term equal to the relevant Reset Period was/were published on the Relevant Screen Page (deeming such latest rate or rates, as applicable, to apply to a swap commencing on the relevant Reset Date, whether or not this is the case); or
- (ii) if this is more recent than the Latest Publication Date, or if for any reason the relevant Reset Reference Rate cannot otherwise be determined in accordance with paragraph (i) above, the Mid-Swap Rate determined as at the last preceding Reset Date (or, for the purpose of determining the First Reset Rate of Interest on the first Reset Determination Date, the Mid-Swap Fallback Rate specified in the applicable Final Terms).

(c) **Notification of First Reset Rate of Interest, Subsequent Reset Rate of Interest and Interest Amount**

The Calculation Agent will cause the First Reset Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period to be notified to the Issuer, the Agent, the Trustee and any competent authority or stock exchange by or on which the relevant Reset Notes are for the time being listed and notice thereof to be published in accordance with Condition 18 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined in Condition 4.2(d)) thereafter.

(d) **Determination or Calculation by an agent appointed by the Trustee**

If for any reason the Calculation Agent defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with Condition 4.3(a), the Trustee may (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) appoint an agent to do so and such determination shall be deemed to have been made by the Calculation Agent. In doing so, such agent shall apply the foregoing provisions of this Condition 4.3 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. Without prejudice to the provisions of Condition 4.3(e) below, the Trustee shall have no liability to any person in connection with any determination or calculation made by any agent so appointed pursuant to this Condition.

(e) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.3 by the

Calculation Agent or any agent appointed by the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Calculation Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Calculation Agent or the Trustee or any agent appointed by the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### **4.4 Benchmark Discontinuation**

This Condition 4.4 applies in respect of each issue of Floating Rate Notes and Reset Notes unless “*Benchmark Discontinuation*” is specified in the applicable Final Terms to be ‘Not Applicable’.

If the applicable Final Terms specifies “*Benchmark Replacement*” to be ‘Applicable’, the provisions of Condition 4.4(a) apply, together with the other provisions of this Condition 4.4 (other than Condition 4.4(b)).

If the applicable Final Terms specifies “*Benchmark Transition*” to be ‘Applicable’, the provisions of Condition 4.4(b) apply, together with the other provisions of this Condition 4.4 (other than Condition 4.4(a)).

##### **(a) Benchmark Replacement**

If the Issuer determines that a Benchmark Event occurs in relation to an Original Reference Rate at any time when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions shall apply.

##### **(i) Independent Adviser**

The Issuer shall use reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4.4(a)(ii)) and, in either case, the applicable Adjustment Spread (in accordance with Condition 4.4(a)(iii)) and any Benchmark Amendments (in accordance with Condition 4.4(a)(iv)).

If, notwithstanding the Issuer’s reasonable endeavours, the Issuer is unable to appoint and consult with an Independent Adviser in accordance with the foregoing paragraph, the Issuer shall nevertheless be entitled, acting in good faith and in a commercially reasonable manner, to make any and all determinations expressed to be made by the Issuer pursuant to this Condition 4.4(a), notwithstanding that such determinations are not made following consultation with an Independent Adviser. If, however, the Issuer is unable to determine a Successor Rate or an Alternative Rate and (in either case) the applicable Adjustment Spread and any Benchmark Amendments in accordance with this Condition 4.4(a), the provisions of Condition 4.4(g) below shall apply.

##### **(ii) Successor Rate or Alternative Rate**

If the Issuer, following consultation with such Independent Adviser (if appointed), determines in good faith that:

- (A) there is a Successor Rate, then such Successor Rate shall (as adjusted by the applicable Adjustment Spread determined as provided in Condition 4.4(a)(iii)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 4.4); or

- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (as adjusted by the applicable Adjustment Spread determined as provided in Condition 4.4(a)(iii)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 4.4).

(iii) **Adjustment Spread**

If a Successor Rate or Alternative Rate is determined in accordance with the foregoing provisions, the Issuer, following consultation with the Independent Adviser (if appointed), will determine in good faith the Adjustment Spread to be applied to such Successor Rate or Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or a relevant component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(iv) **Benchmark Amendments**

If any Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread is determined in accordance with this Condition 4.4 and the Issuer, following consultation with the Independent Adviser (if appointed), determines in good faith (A) that amendments to the Terms and Conditions of the Notes, the Trust Deed and/or the Agency Agreement (including, without limitation, amendments to the definitions of Day Count Fraction, Business Days, Reset Determination Date, or Relevant Screen Page) are necessary to ensure the proper operation (having regard to prevailing market practice, if any) of such Successor Rate, Alternative Rate and (in either case) the applicable Adjustment Spread (such amendments, the **Benchmark Amendments**) and (B) the terms of the Benchmark Amendments, then (subject to Condition 4.4(f) below) the Issuer shall, subject to giving notice thereof in accordance with Condition 4.4(c), without any requirement for the consent or approval of Noteholders or Couponholders, vary the Terms and Conditions of the Notes, the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two authorised signatories of the Issuer pursuant to Condition 4.4(c), the Trustee shall (at the Issuer's expense), without any requirement for the consent or approval of the Noteholders or Couponholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed or agreement supplemental to or amending the Trust Deed and/or the Agency Agreement (as applicable)) and the Trustee shall not be liable to any party for any consequences thereof, provided that the Trustee shall not be obliged so to concur if in the sole opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend rights and/or the protective provisions afforded to the Trustee in the Terms and Conditions of the Notes, the Trust Deed and/or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed and/or agency agreement) in any way.

In connection with any such variation in accordance with this Condition 4.4, the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(v) **Definitions**

As used in this Condition 4.4(a):

**Adjustment Spread** means either a spread (which may be positive, negative or zero), or the formula or methodology for calculating a spread, in either case, which is to be applied to the Successor Rate or the Alternative Rate (as the case may be), being the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body;
- (B) in the case of an Alternative Rate (or in the case of a Successor Rate where (A) above does not apply), the Issuer, following consultation with the Independent Adviser (if appointed) and acting in good faith, determines is in customary market usage (or reflects an industry-accepted rate, formula or methodology) in the international debt capital market for transactions which reference the Original Reference Rate, where such rate has been replaced by the Alternative Rate (or, as the case may be, the Successor Rate); or
- (C) if no such recommendation or option has been made (or made available) under (A) above and if the Issuer, following consultation with the Independent Adviser (if appointed) determines there is no such spread, formula or methodology in customary market usage or which is industry-accepted under (B) above, the Issuer, in its discretion, following consultation with the Independent Adviser (if appointed) and acting in good faith and in a commercially reasonable manner, determines to be appropriate having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this paragraph (C), of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders;

**Alternative Rate** means an alternative benchmark or screen rate which the Issuer, following consultation with the Independent Adviser (if appointed), determines in accordance with this Condition 4.4 has replaced the Original Reference Rate in customary market usage, or is an industry-accepted rate, in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for a commensurate interest period and in the same Specified Currency as the Notes;

**Benchmark Event** means, with respect to an Original Reference Rate, any one or more of the following:

- (A) the Original Reference Rate ceasing to exist or to be published or administered on a permanent or indefinite basis;
- (B) the making of a public statement by the administrator of the Original Reference Rate that it has ceased or will cease to publish the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate);
- (C) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued;
- (D) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will be prohibited from being used, is no longer (or will no longer be) representative of its underlying market or that its use will be subject to restrictions or adverse consequences, in each case in circumstances where the same shall be applicable to the Notes; or

- (E) it has or will prior to the next Interest Determination Date or Reset Determination Date, as applicable, become unlawful for the Issuer, the Calculation Agent, or any Paying Agent to calculate any payments due to be made to any Noteholder or Couponholder using the Original Reference Rate (including, without limitation, under the Regulation (EU) 2016/1011 as that Regulation applies in the European Union and/or as it applies in the United Kingdom in the form retained as domestic law in the United Kingdom under the European Union (Withdrawal) Act 2018, as amended, if applicable),

provided that in the case of paragraphs (B) to (D) above, the Benchmark Event shall occur on:

- (i) in the case of (B) above, the date of the cessation of the publication of the Original Reference Rate;
- (ii) in the case of (C) above, the discontinuation of the Original Reference Rate; or
- (iii) in the case of (D) above, the date on which the Original Reference Rate is prohibited from use, is deemed no longer to be representative or becomes subject to restrictions or adverse consequences (as applicable),

and not (in any such case) the date of the relevant public statement (unless the date of the relevant public statement coincides with the relevant date in (i), (ii) or (iii) above, as applicable);

**Independent Adviser** means an independent financial institution of international repute or an independent adviser of recognised standing with appropriate expertise appointed by the Issuer at its own expense and approved in writing by the Trustee;

**Original Reference Rate** means the benchmark or screen rate (as applicable) originally specified for the purpose of determining the relevant Rate of Interest (or any relevant component part(s) thereof) on the Notes (provided that if, following one or more Benchmark Events, such originally specified Reference Rate (or any Successor Rate or Alternative Rate which has replaced it) has been replaced by a (or a further) Successor Rate or Alternative Rate and a Benchmark Event subsequently occurs in respect of such Successor Rate or Alternative Rate, the term “Original Reference Rate” shall be deemed to include any such Successor Rate or Alternative Rate);

**Relevant Nominating Body** means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (iii) a group of the aforementioned central banks or other supervisory authorities or (iv) the Financial Stability Board or any part thereof; and

**Successor Rate** means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

(b) *Benchmark Transition*

If the Issuer determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in relation to an Original Reference Rate at any time when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions shall apply.

**(i) Independent Adviser**

The Issuer shall use reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining the Benchmark Replacement which will replace such Original Reference Rate for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates (subject to any subsequent application of this Condition 4.4(b) with respect to such Benchmark Replacement) and any Benchmark Replacement Conforming Changes.

Any Benchmark Replacement so determined by the Issuer shall have effect for any subsequent determination of any relevant Rate of Interest (subject to any further application of this Condition 4.4(b) with respect to such Benchmark Replacement), subject, if any associated Benchmark Replacement Conforming Changes are required in connection therewith, to such Benchmark Replacement Conforming Changes becoming effective in accordance with the following provisions.

If, notwithstanding the Issuer's reasonable endeavours, the Issuer is unable to appoint and consult with an Independent Adviser in accordance with the foregoing paragraph, the Issuer shall nevertheless be entitled, acting in good faith and in a commercially reasonable manner, to make any and all determinations expressed to be made by the Issuer pursuant to this Condition 4.4(b), notwithstanding that such determinations are not made following consultation with an Independent Adviser. If, however, the Issuer is unable to determine a Benchmark Replacement in accordance with this Condition 4.4(b), the provisions of Condition 4.4(g) below shall apply.

**(ii) Benchmark Replacement Conforming Changes**

If the Issuer, following consultation with the Independent Adviser (if appointed), considers it is necessary to make Benchmark Replacement Conforming Changes, the Issuer shall, in consultation with the Independent Adviser (if appointed), determine the terms of such Benchmark Replacement Conforming Changes, and (subject to Condition 4.4(f) below) shall, subject to giving notice in accordance with Condition 4.4(c) below (but without any requirement for the consent or approval of Noteholders), vary these Conditions, the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Replacement Conforming Changes with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two authorised signatories of the Issuer pursuant to Condition 4.4(c), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Replacement Conforming Changes (including, *inter alia*, by the execution of a deed or an agreement supplemental to or amending the Trust Deed and/or the Agency Agreement (as applicable)) and the Trustee shall not be liable to any party for any consequences thereof, provided that the Trustee shall not be obliged so to concur if in the sole opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend rights and/or the protective provisions afforded to the Trustee in these Conditions, the Trust Deed or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed and/or agency agreement) in any way.



In connection with any such variation in accordance with this Condition 4.4(b), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(iii) **Definitions**

As used in this Condition 4.4(b):

**Benchmark Replacement** means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

- (i) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the Original Reference Rate for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;
- (ii) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; or
- (iii) the sum of: (a) the alternate rate of interest that has been selected by the Issuer as the replacement for the Original Reference Rate for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate of interest as a replacement for the then-current benchmark for U.S. dollar-denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment;

**Benchmark Replacement Adjustment** means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

- (i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time;

**Benchmark Replacement Conforming Changes** means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to any Interest Period, Interest Accrual Period, the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer (in consultation with the Independent Adviser, if appointed) decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer (in consultation with the Independent Adviser, if appointed) determines is reasonably necessary);

**Benchmark Replacement Date** means the earliest to occur of the following events with respect to the Original Reference Rate (including the daily published component used in the calculation thereof):

- (i) in the case of clause (i) or (ii) of the definition of “Benchmark Transition Event”, the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Original Reference Rate permanently or indefinitely ceases to provide the Original Reference Rate (or such component); or
- (ii) in the case of clause (iii) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives rise to the Benchmark Replacement Date occurs on the same day as, but earlier than (where the Rate of Interest is to be determined pursuant to Condition 4.2(b)(ii)) the Specified Time or (in any other case) the customary or scheduled time for publication of the relevant reference rate in accordance with the then-prevailing operational procedures of the administrator of such reference rate or, as the case may be, of the other relevant information service publishing such reference rate, on, the relevant Interest Determination Date, the Benchmark Replacement Date will be deemed to have occurred prior to such time for such determination;

**Benchmark Transition Event** means the occurrence of one or more of the following events with respect to the Original Reference Rate (including the daily published component used in the calculation thereof):

- (i) a public statement or publication of information by or on behalf of the administrator of the Original Reference Rate (or such component) announcing that such administrator has ceased or will cease to provide the Original Reference Rate (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Original Reference Rate (or such component); or
- (ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Original Reference Rate (or such component), the central bank for the currency of the Original Reference Rate (or such component), an insolvency official with jurisdiction over the administrator for the Original Reference Rate (or such component), a resolution authority with jurisdiction over the administrator for the Original Reference Rate (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Original Reference Rate, which states that the administrator of the Original Reference Rate (or such component) has ceased or will cease to provide the Original Reference Rate (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Original Reference Rate (or such component); or
- (iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Original Reference Rate announcing that the Original Reference Rate is no longer representative;

**Corresponding Tenor** means, with respect to a Benchmark Replacement, a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the Original Reference Rate;

**Independent Adviser** means an independent financial institution of international repute or an independent adviser of recognised standing with appropriate expertise appointed by the Issuer at its own expense and approved in writing by the Trustee;

**ISDA Fallback Adjustment** means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Original Reference Rate;

**ISDA Fallback Rate** means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Original Reference Rate for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

**Original Reference Rate** means the benchmark or screen rate (as applicable) originally specified for the purpose of determining the relevant Rate of Interest (or any relevant component part(s) thereof) on the Notes (provided that if, following one or more Benchmark Transition Events, such originally specified benchmark or screen rate (or any benchmark used in any Benchmark Replacement which has replaced it (the **Replacement Benchmark**)) has been replaced by a (or a further) Replacement Benchmark and a Benchmark Transition Event subsequently occurs in respect of such Replacement Benchmark, the term “Original Reference Rate” shall be deemed to include any such Replacement Benchmark);

**Relevant Governmental Body** means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

**Unadjusted Benchmark Replacement** means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(c) *Notices, etc.*

The Issuer shall notify the Trustee, the Agent, the Calculation Agent (if different from the Agent), the Paying Agents and, in accordance with Condition 18, the Noteholders, promptly of any Successor Rate, Alternative Rate, Adjustment Spread and/or Benchmark Replacement, and the specific terms of any Benchmark Amendments or Benchmark Replacement Conforming Changes (as applicable), determined under this Condition 4.4. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments or Benchmark Replacement Conforming Changes (as applicable), if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories:

- (i) confirming (x) that a Benchmark Event or a Benchmark Transition Event (as applicable) has occurred, (y) the Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread or, as the case may be, the Benchmark Replacement and (z) the specific terms of the Benchmark Amendments or Benchmark Replacement Conforming Changes (if any), as applicable, in each case as determined in accordance with the provisions of this Condition 4.4;
- (ii) certifying that the Benchmark Amendments or Benchmark Replacement Conforming Changes (as applicable) are necessary to ensure the proper operation of (as applicable) (A) such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread or (B) such Benchmark Replacement; and
- (iii) certifying that (i) the Issuer has duly consulted with an Independent Adviser with respect to each of the matters above or, if that is not the case, (ii) explaining, in reasonable detail, why the Issuer has not done so.

The Trustee shall be entitled to rely on such certificate (without inquiry and without liability to any person) as sufficient evidence thereof. The Successor Rate, Alternative Rate, Benchmark Replacement, Adjustment Spread, Benchmark Amendments and/or Benchmark Replacement Conforming Changes (if any), as applicable, specified in such certificate will (in the absence of manifest error in the determination thereof and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Agent, the Calculation Agent, the Paying Agents and the Noteholders and Couponholders.

*(d) Survival of Original Reference Rate*

Without prejudice to the Issuer's obligations under the provisions of this Condition 4.4, the Original Reference Rate and the fallback provisions provided for in Conditions 4.2 and 4.3, as applicable, will continue to apply unless and until the Calculation Agent has been notified, in accordance with Condition 4.4(c), of (as the case may be):

- (i) the Successor Rate or the Alternative Rate (as the case may be), and (in either case) the Adjustment Spread and Benchmark Amendments (if any) determined in accordance with Condition 4.4(a); or
- (ii) the Benchmark Replacement and Benchmark Replacement Conforming Changes (if any) determined in accordance with Condition 4.4(b).

*(e) Restriction on Independent Adviser and Issuer liability*

An Independent Adviser appointed pursuant to this Condition 4.4 shall act in good faith.

In the absence of bad faith or fraud, neither the Issuer nor any Independent Adviser shall have any liability whatsoever to the Trustee, the Paying Agents, the Agent, the Calculation Agent or the Noteholders or Couponholders for any determination made by the Issuer or the Independent Adviser or (in the case of the Independent Adviser) for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 4.4.

*(f) Regulatory Capital / Eligible Liabilities*

Notwithstanding any other provision of this Condition 4.4, the Issuer shall not be required to adopt any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Replacement, nor to effect any Benchmark Amendments or Benchmark Replacement Conforming Changes, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected either:

- (i) to prejudice the qualification of the Notes as Tier 2 Capital and/or as eligible liabilities or loss absorbing capacity instruments for the purposes of any Loss Absorption Regulations; or
- (ii) (if this Note is a Senior Non-Preferred Note only) to result in the relevant Supervisory Authority treating the relevant Interest Payment Date or the Reset Date, as the case may be, as the effective maturity date of the Notes, rather than the relevant Maturity Date specified in the applicable Final Terms.

In such event, the Issuer shall be entitled to apply the provisions of this Condition 4.4 with such further adjustments as it considers necessary to avoid the consequences described under (i) and/or (ii) above, *provided that* the Issuer, acting in good faith and in a commercial reasonable manner, has determined that so doing shall not be materially less favourable to Noteholders than failing to apply the provisions of this Condition 4.4 at all.

(g) **Fallbacks**

If, following the occurrence of:

- (i) a Benchmark Event; or
- (ii) a Benchmark Transition Event (and its related Benchmark Replacement Date),

in respect of the Original Reference Rate, on the immediately following Interest Determination Date or Reset Determination Date (as applicable):

- (A) (in the case of (i) above) no Successor Rate or Alternative Rate (as applicable) is determined pursuant to Condition 4.4(a) or (as the case may be) a Successor Rate or Alternative Rate (as applicable) is determined, but no Adjustment Spread is determined pursuant to Condition 4.4(a); or
- (B) (in the case of (ii) above) no Benchmark Replacement is determined in accordance with Condition 4.4(b),

then the original benchmark or screen rate (as applicable) will continue to apply for the purposes of determining such Rate of Interest on such Interest Determination Date or Reset Determination Date (as the case may be), with the effect that the fallback provisions provided in Condition 4.2(b) and Condition 4.3(b), as applicable, will continue to apply to such determination.

In such circumstances, the Issuer will be entitled (but not obliged), at any time thereafter, to elect to re-apply the provisions of this Condition 4.4, *mutatis mutandis*, on one or more occasions until:

- (x) (in the case of (i) above) a Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread and any Benchmark Amendments; or
- (y) (in the case of (ii) above) the Benchmark Replacement and any Benchmark Replacement Conforming Changes,

have been determined and notified in accordance with this Condition 4.4 (and, until such determination and notification (if any), the fallback provisions provided in Condition 4.2(b) and Condition 4.3(b), as applicable, will continue to apply).

*The Issuer's intention is that, in circumstances where the Issuer has been unable to determine (as applicable) (i) a Successor Rate or Alternative Rate (as applicable) and (in either case) the Adjustment Spread or (ii) the Benchmark Replacement pursuant this Condition 4.4, it will elect to re-apply such provisions if and when, in its sole determination, there have been such subsequent developments (whether in applicable law, market practice or otherwise) as would enable the Issuer successfully to apply such provisions and determine (as applicable) (a) a Successor Rate or Alternative Rate (as applicable) and (in either case) the applicable Adjustment Spread and the applicable Benchmark Amendments (if any) or (b) the Benchmark Replacement and the applicable Benchmark Replacement Conforming Changes (if any).*

(h) **Preparation in anticipation of a Benchmark Event or a Benchmark Transition Event**

If the Issuer anticipates that a Benchmark Event or a Benchmark Transition Event, as applicable, will or may occur, nothing in these Conditions shall prevent the Issuer (in its sole discretion) from taking, prior to the occurrence of such Benchmark Event or a Benchmark Transition Event, such actions as it considers expedient in order to prepare for applying the provisions of this Condition

4.4 (including, without limitation, appointing and consulting with an Independent Adviser, and seeking to identify any Successor Rate, Alternative Rate, Adjustment Spread, Benchmark Amendments, Benchmark Replacement and/or Benchmark Replacement Conforming Changes, as applicable), provided that no Successor Rate, Alternative Rate, Adjustment Spread, Benchmark Amendments, Benchmark Replacement and/or Benchmark Replacement Conforming Changes will take effect until the relevant Benchmark Event, or the relevant Benchmark Transition Event and its related Benchmark Replacement Date, as applicable, has occurred.

#### 4.5 Interest Accrual

Interest (if any) will cease to accrue on each Note on, but excluding, the due date for redemption thereof unless payment of principal is improperly withheld or refused in which event interest will continue to accrue as provided in the Trust Deed.

#### 4.6 Day Count Fractions

In this Condition 4:

**Day Count Fraction** means, in respect of the calculation of an amount for any period of time (whether or not constituting an Interest Period or an Interest Accrual Period) (the **Calculation Period**) in accordance with the applicable Final Terms for any Fixed Rate Note, Reset Note, or Floating Rate Note, as applicable:

- (A) if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:
  - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Fixed Interest Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Dates that would occur in one calendar year; or
  - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period commencing on the last Fixed Interest Date on which interest was paid (or, if none, the Interest Commencement Date), the sum of:
    - I. the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates that would occur in one calendar year; and
    - II. the number of days in such Accrual Period falling in the next Determination Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates that would occur in one calendar year;
- (B) if **Actual/Actual (ISDA)** or **Actual/Actual** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (C) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365;

- (D) if **Actual/365 (Sterling)** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (E) if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360;
- (F) if **30/360, 360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (G) if **30E/360** or **Eurobond Basis** is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

- (H) if **30E/360 (ISDA)** is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30;

and if no Day Count Fraction for Fixed Rate Notes or Reset Notes is specified in the applicable Final Terms then the Day Count Fraction for such Notes shall be **Actual/Actual (ICMA)** for Notes other than those denominated or payable in U.S. Dollars and **30/360** for Notes denominated or payable in U.S. Dollars;

**Determination Period** means the period from (and including) a Determination Date to (but excluding) the next Determination Date; and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

## **5. Redemption, Purchase, Substitution and Variation**

### **5.1 Final redemption**

Unless previously redeemed or purchased and cancelled as provided below, each Note will be redeemed at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

### **5.2 Redemption for taxation reasons**

If the Issuer at any time satisfies the Trustee immediately prior to the giving of the notice referred to below that:

- (a) (if this Note is a Senior Preferred Note or a Deposit Note) on the date of the next payment due in respect of the Notes, the Issuer would be required (i) to pay additional amounts as provided under Condition 9 or (ii) to account to any taxing authority in the United Kingdom for any amount (other



than any tax withheld or deducted from interest payable on the Notes) calculated by reference to any amount payable in respect of the Notes; or

(b) (if this Note is a Subordinated Note or a Senior Non-Preferred Note) a Tax Event has occurred,

and, in any such case, the Issuer cannot avoid the foregoing by taking reasonable measures available to it, then the Issuer may in its sole discretion (subject, if this Note is a Subordinated Note, to compliance with Condition 5.11 or, if this Note is a Senior Non-Preferred Note, to compliance with Condition 5.12), having given not less than 15 nor more than 30 days' notice to the Trustee, the Agent and, in accordance with Condition 18, the Noteholders (which notice shall be irrevocable), redeem at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note) all, but not some only, of the Notes at their Early Redemption Amount referred to in Condition 5.8 below, together, if applicable, with interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall be bound to redeem the Notes accordingly.

Prior to the publication of any notice of early redemption pursuant to this Condition 5.2, the Issuer shall deliver to the Trustee a certificate signed by any two authorised signatories of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem has been satisfied. The Trustee shall be entitled, without liability to any person, to accept and rely on such certificate without any further inquiry as sufficient evidence of the satisfaction of the relevant requirement or circumstance, in which event it shall be conclusive and binding on the Trustee and the Noteholders and Couponholders.

A **Tax Event** will be deemed to have occurred if, as a result of a Tax Law Change:

- (i) in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay additional amounts as provided under Condition 9;
- (ii) the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of any payments in respect of the Notes in computing its taxation liabilities or the amount of such deduction is or will be reduced;
- (iii) the Notes are or will be prevented from being treated as loan relationships for United Kingdom tax purposes; or
- (iv) the Issuer is not, or will not be, able to have losses or deductions set against any profits or gains, or profits or gains offset by any losses or deductions, of companies with which it is or would otherwise be so grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the Issue Date of the latest Tranche of the Notes or any similar system or systems having like effect as may from time to time exist).

As used herein, **Tax Law Change** means any change in, or amendment to, the laws or regulations of the United Kingdom (including any treaty to which it is a party) or any political subdivision or any authority thereof or therein having power to tax, or any change in the official interpretation thereof by the relevant tax authority or in the application of such laws or regulations by a decision of any court or tribunal that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions or any pronouncement of a tax authority in the United Kingdom, which change or amendment becomes effective or, in the case of a change in law, if such change is enacted by a United Kingdom Act of Parliament or by Statutory Instrument, on or after the Issue Date of the latest Tranche of the Notes.

### **5.3 Redemption following a Regulatory Event**

This Condition 5.3 applies only if this Note is a Subordinated Note.

If a Regulatory Event has occurred, then the Issuer may in its sole discretion, subject to compliance with Condition 5.11, and having given not less than 15 nor more than 30 days' notice to the Trustee, the Agent and, in accordance with Condition 18, the Noteholders (which notice shall be irrevocable), redeem at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note) all, but not some only, of the Notes at their Early Redemption Amount referred to in Condition 5.8 below, together, if applicable, with interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall be bound to redeem the Notes accordingly.

Prior to the publication of any notice of early redemption pursuant to this Condition 5.3, the Issuer shall deliver to the Trustee a certificate signed by any two authorised signatories of the Issuer confirming that a Regulatory Event has occurred. The Trustee shall be entitled, without liability to any person, to accept and rely on such certificate without any further inquiry as sufficient evidence of the satisfaction of such occurrence, in which event it shall be conclusive and binding on the Trustee and the Noteholders and Couponholders.

A **Regulatory Event** is deemed to have occurred in respect of the Notes if there is a change (which has occurred or which the relevant Supervisory Authority considers to be sufficiently certain) in the regulatory classification of the Notes which becomes effective after the Issue Date of the latest Tranche of the Notes and that results, or would be likely to result, in:

- (i) if “*Regulatory Event (Subordinated Notes only): Full Exclusion*” is specified in the applicable Final Terms, the entire nominal amount of the Notes being excluded from the Tier 2 Capital of the Issuer (whether on an individual or consolidated basis); or
- (ii) if “*Regulatory Event (Subordinated Notes only): Full or Partial Exclusion*” is specified in the applicable Final Terms, the entire nominal amount of the Notes or any part thereof being excluded from the Tier 2 Capital of the Issuer (whether on an individual or consolidated basis).

#### **5.4 Redemption following a Loss Absorption Disqualification Event**

This Condition 5.4 applies if this Note is a Senior Non-Preferred Note, unless “*Senior Non-Preferred Notes: Loss Absorption Disqualification Event Redemption*” is expressly specified to be “Not Applicable” in the applicable Final Terms.

If a Loss Absorption Disqualification Event has occurred, then the Issuer may in its sole discretion, subject to compliance with Condition 5.12, and having given not less than 15 nor more than 30 days' notice to the Trustee, the Agent and, in accordance with Condition 18, the Noteholders (which notice shall be irrevocable), redeem at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note) all, but not some only, of the Notes at their Early Redemption Amount referred to in Condition 5.8 below, together, if applicable, with interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall be bound to redeem the Notes accordingly.

Prior to the publication of any notice of early redemption pursuant to this Condition 5.4, the Issuer shall deliver to the Trustee a certificate signed by any two authorised signatories of the Issuer confirming that a Loss Absorption Disqualification Event has occurred. The Trustee shall be entitled, without liability to any person, to accept and rely on such certificate without any further inquiry as sufficient evidence of the satisfaction of such occurrence, in which event it shall be conclusive and binding on the Trustee and the Noteholders and Couponholders.

A **Loss Absorption Disqualification Event** shall be deemed to have occurred in respect of the Notes if, as a result of any amendment to, or change in, any Loss Absorption Regulations, or any change in the application or official interpretation of any Loss Absorption Regulations, in any such case becoming effective after the Issue Date of the latest Tranche of the Notes, either:

- (i) if “*Loss Absorption Disqualification Event: Full Exclusion*” is specified in the applicable Final Terms, the entire nominal amount of the Notes; or
- (ii) if “*Loss Absorption Disqualification Event: Full or Partial Exclusion*” is specified in the applicable Final Terms, the entire nominal amount of the Notes or any part thereof,

is or (in the opinion of the Issuer or the relevant Supervisory Authority) is likely to be excluded from the Issuer’s minimum requirements (whether on an individual or consolidated basis) for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments, in each case as such minimum requirements are applicable to the Issuer (whether on an individual or consolidated basis) and determined in accordance with, and pursuant to, the relevant Loss Absorption Regulations; provided that a Loss Absorption Disqualification Event shall not occur where the exclusion of the Notes from the relevant minimum requirement(s) is due to the remaining maturity of the Notes being less than any period prescribed by any applicable eligibility criteria for such minimum requirements under the relevant Loss Absorption Regulations effective with respect to the Issuer on the Issue Date of the latest Tranche of the Notes.

As used herein, **Loss Absorption Regulations** means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments of the United Kingdom (including, without limitation, any provision of the Insolvency Act or any other Ranking Legislation which relates to the requisite features of Secondary Non-Preferential Debts), any relevant Supervisory Authority then in effect in the United Kingdom and applicable to the Issuer (whether on an individual or consolidated basis) including, without limitation to the generality of the foregoing, any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by any relevant Supervisory Authority from time to time (whether such regulations, requirements, guidelines, rules, standards or policies are applied generally or specifically to the Issuer).

## 5.5 Redemption at the option of the Issuer

If so specified in the applicable Final Terms, the Issuer may in its sole discretion (subject, if this Note is a Subordinated Note, to compliance with Condition 5.11 or, if this Note is a Senior Non-Preferred Note, to compliance with Condition 5.12) having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 18 (which notice shall be irrevocable), redeem all or some only (as specified in the applicable Final Terms) of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) as specified in the applicable Final Terms, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date. Upon expiry of such notice the Issuer shall be bound to redeem the Notes accordingly.

In the event of a redemption of some only of the Notes, such redemption must be for an amount being the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 35 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of such Redeemed Notes will be published in accordance with Condition 18 not less than the minimum period specified in the applicable Final Terms prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 5.5 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 18 at least 15 days prior to the Selection Date.

## 5.6 Redemption at the option of the Noteholders

This Condition 5.6 does not apply if this Note is a Subordinated Note.

If and to the extent specified in the applicable Final Terms, upon the holder of this Note giving to the Issuer, in accordance with Condition 18, not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem in whole (but not in part) such Note on the relevant Optional Redemption Date and at the relevant Optional Redemption Amount as specified in the applicable Final Terms, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date.

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note, on any Business Day (as defined in Condition 4.2(a)) falling within the notice period at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a Put Notice) and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

## 5.7 Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 5.1, 5.2, 5.3, 5.4, 5.5 or 5.6 above or upon its becoming due and repayable as provided in Condition 10 or Condition 11 (as applicable) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 5.8 below as though the references therein to the date fixed for redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of the Zero Coupon Note have been paid; and
- (b) the date on which the full amount of the moneys payable has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders either in accordance with Condition 18 or individually.

## 5.8 Early Redemption Amounts

For the purposes of Conditions 5.2, 5.3 and 5.4 above and Condition 10 (if this Note is a Senior Preferred Note or a Deposit Note) or Condition 11 (if this Note is a Senior Non-Preferred Note or a Subordinated Note), each Note will be redeemed at an amount (the **Early Redemption Amount**) calculated as follows:

- (a) (in the case of Notes other than Zero Coupon Notes) at the amount specified in the applicable Final Terms, or, if no such amount is so set out:
  - (i) in the case of Fixed Rate Notes or Reset Notes, at an amount determined by the Calculation Agent (in its absolute discretion) whereby such amount payable by the Issuer in respect of principal and interest (if any) accrued to (but excluding) the date of such early redemption of each Note shall, taking into account any accrued interest payable on such early redemption, have the effect of preserving for the holder of that Note the economic equivalent of the obligations of the Issuer to pay (A) the Final Redemption Amount specified in the applicable Final Terms which would, but for such early redemption, have been payable on the Maturity Date and (B) the interest (if any) in respect of that Note on such date(s) and in such amount(s) determined in accordance with Condition 4 above and specified in the applicable Final Terms which would, but for such redemption, have been payable up to (and including) the Maturity Date; or

- (ii) in the case of Floating Rate Notes, at an amount equal to the nominal amount of each Note; or
- (b) in the case of Zero Coupon Notes, at its Early Redemption Amount, equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable as is provided in the applicable Final Terms.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made (i) in the case of a Zero Coupon Note other than a Zero Coupon Note payable in euro, on the basis of a 360 day year consisting of 12 months of 30 days each or (ii) in the case of a Zero Coupon Note payable in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (A) the number of those days falling in a leap year divided by 366 and (B) the number of those days falling in a non-leap year divided by 365).

## **5.9 Purchases**

The Issuer or any of its Subsidiaries (as defined in the Trust Deed) may (subject, if this Note is a Subordinated Note, to compliance with Condition 5.11 and prevailing Regulatory Capital Requirements or, if this Note is a Senior Non-Preferred Note, to compliance with Condition 5.12 and prevailing Loss Absorption Regulations) at any time purchase or otherwise acquire Notes (provided that, in the case of definitive Notes, all unmatured Coupons appertaining thereto are attached thereto or surrendered therewith) in any manner and at any price. Notes purchased by the Issuer or any of its Subsidiaries may, at the option of the Issuer or such Subsidiary, be held, reissued, resold or surrendered for cancellation.

## **5.10 Cancellation**

All Notes which are (a) redeemed in full or (b) purchased by or on behalf of the Issuer or any Subsidiary of the Issuer and surrendered for cancellation, will forthwith be cancelled (together with, in the case of definitive Notes, all unmatured Coupons attached thereto or surrendered therewith) and such Notes may not be reissued or resold.

## **5.11 Preconditions to Redemption and Purchase of Subordinated Notes**

This Condition 5.11 applies only if this Note is a Subordinated Note.

Any redemption or purchase of the Notes in accordance with Conditions 5.2, 5.3, 5.5 or 5.9 is subject to:

- (a) the Issuer having obtained Relevant Supervisory Consent therefor;
- (b) the Issuer having demonstrated to the satisfaction of the relevant Supervisory Authority that either: (A) the Issuer has (or before or at the same time as the relevant redemption or purchase will have) replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or (B) the own funds and eligible liabilities of the Issuer would, following such redemption or purchase, exceed its minimum requirements (including any buffer requirements) by a margin that the relevant Supervisory Authority considers necessary at such time; and

- (c) in the case of any redemption or purchase prior to the fifth anniversary of the Issue Date of the latest Tranche of the Notes:
  - (A) in the case of redemption upon a Tax Event, the Issuer having demonstrated to the satisfaction of the relevant Supervisory Authority that the change in tax treatment is material and was not reasonably foreseeable as at the Issue Date of such latest Tranche;
  - (B) in the case of redemption upon the occurrence of a Regulatory Event, the Issuer having demonstrated to the satisfaction of the relevant Supervisory Authority that the relevant change in the regulatory classification of the Notes is sufficiently certain and was not reasonably foreseeable as at the Issue Date of such latest Tranche;
  - (C) in the case of a purchase pursuant to Condition 5.9, the Issuer having demonstrated to the satisfaction of the relevant Supervisory Authority that the Issuer has (or before or at the same time as the relevant purchase will have) replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the relevant Supervisory Authority having permitted such action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or
  - (D) the Notes being purchased for market-making purposes in accordance with the prevailing Regulatory Capital Requirements.

Notwithstanding the foregoing, if, at the time of any redemption or purchase, the prevailing Regulatory Capital Requirements permit a repayment or purchase only after compliance with one or more additional or alternative preconditions to those set out above in this Condition 5.11, the Issuer shall comply (in addition or in the alternative, as the case may be) with such additional and/or alternative precondition(s).

In these Terms and Conditions, **Relevant Supervisory Consent** means, in relation to any action, such permission or waiver of the relevant Supervisory Authority as is then required for such action under prevailing Regulatory Capital Requirements and/or Loss Absorption Regulations, as the case may be.

## **5.12 Preconditions to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes**

This Condition 5.12 applies only if this Note is a Senior Non-Preferred Note.

Any redemption, purchase, substitution or variation of the Notes in accordance with Conditions 5.2, 5.4, 5.5, 5.6, 5.9 or 5.13 is subject to:

- (a) the Issuer having obtained Relevant Supervisory Consent therefor; and
- (b) compliance with any other pre-conditions to, or requirements applicable to, such redemption, purchase, substitution or variation as may be required by the relevant Supervisory Authority or the Loss Absorption Regulations at such time, including, in the case of a redemption or purchase and to the extent then so required, the Issuer having demonstrated to the satisfaction of the relevant Supervisory Authority that:
  - (A) it has (or before or at the same time as the relevant redemption or purchase will have) replaced the Notes with own funds or eligible liabilities instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or

- (B) the own funds and eligible liabilities of the Issuer would, following such redemption or purchase, exceed its minimum requirements for own funds and eligible liabilities by a margin that the relevant Supervisory Authority considers necessary at such time; or
- (C) the partial or full replacement of the Notes with own funds instruments is necessary to ensure compliance with the own funds requirements laid down in the prevailing Regulatory Capital Requirements for continuing authorisation.

### **5.13 Substitution and Variation of Senior Non-Preferred Notes**

This Condition 5.13 applies to this Note if it is a Senior Non-Preferred Note unless “*Senior Non-Preferred Notes: Substitution and Variation*” is expressly specified to be “Not Applicable” in the applicable Final Terms.

Upon the occurrence of a Loss Absorption Disqualification Event in respect of the Notes, the Issuer (in its sole discretion but subject to Condition 5.12), having given notice of not more than 30 days nor less than 15 days prior to the date of substitution or variation (as the case may be) to the Trustee and, in accordance with Condition 18, the Noteholders (which notice shall be irrevocable and shall specify the date fixed for substitution or variation, as applicable) may, without any requirement for the consent or approval of the Noteholders or Couponholders, either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Loss Absorption Compliant Notes. Upon the expiry of the notice referred to above, the Issuer shall either substitute or, as the case may be, vary the terms of the Notes and, subject as set out below, the Trustee shall agree to such substitution or variation.

In connection with any substitution or variation in accordance with this Condition 5.13, the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Any substitution or variation in accordance with this provision is subject to the following conditions:

- (a) the Issuer complying with Condition 5.12;
- (b) such substitution or variation not resulting in any event or circumstance which at or around that time gives the Issuer a redemption right in respect of the resulting Loss Absorption Compliant Notes; and
- (c) prior to the publication of any notice of substitution or variation, the Issuer having delivered to the Trustee a certificate signed by two authorised signatories of the Issuer stating that the Loss Absorption Disqualification Event giving rise to the right to substitute or vary the Notes has occurred as at the date of the certificate and that the conditions set out in (a) and (b) immediately above have been satisfied, and the Trustee shall be entitled to accept and rely on such certificate without liability to any person and without any further inquiry as sufficient evidence thereof, in which event it shall be conclusive and binding on the Trustee and all Noteholders and Couponholders.

The Trustee shall, subject to the Issuer’s compliance with the foregoing conditions and the provision of the certificate signed by two authorised signatories of the Issuer as referred to in the definition of Loss Absorption Compliant Notes, and at the expense and cost of the Issuer, use reasonable endeavours to assist the Issuer in any substitution or variation of the Notes in accordance with this provision, except that the Trustee shall not be obliged to assist in any such substitution or variation if either such substitution or variation itself or the terms of the proposed Loss Absorption Compliant Notes would, in the Trustee’s opinion, impose more onerous obligations upon it or expose the Trustee to any additional duties, responsibilities or liabilities in any material respect or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any material respect.

In connection with any such substitution or variation, the Trustee may rely without liability to any Noteholders or Couponholders on a report, confirmation, certificate or any advice of any accountants, financial advisers,

financial institutions or any other experts, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate or advice and such report, confirmation, certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders and Couponholders.

In these Terms and Conditions:

**EEA regulated market** means a market as defined by Article 4.1(21) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended;

**Loss Absorption Compliant Notes** means securities that comply with the following (which compliance has been certified to the Trustee in a certificate signed by two authorised signatories of the Issuer and delivered to the Trustee prior to the relevant substitution or variation):

- (a) such securities are issued by the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer with a guarantee of such obligations by the Issuer;
- (b) such securities and any relative coupons rank (or, if guaranteed by the Issuer, benefit from a guarantee that ranks) as part of the class of Secondary Non-Preferential Debts;
- (c) (subject to (b) above) such securities have terms not materially less favourable to Noteholders and Couponholders than the terms of the Notes and relative Coupons (as reasonably determined by the Issuer in consultation with an independent adviser of recognised standing);
- (d) (without prejudice to (c) above) such securities (1) contain terms such that they comply with the then applicable Loss Absorption Regulations in order to be eligible to qualify in full towards the Issuer's minimum requirements (on an individual or consolidated basis) for own funds and eligible liabilities and/or loss absorbing capacity instruments; (2) bear the same rate of interest from time to time applying to the Notes and preserve the same interest payment dates; (3) do not contain terms providing for deferral of payments of interest and/or principal; (4) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; (5) do not contain terms providing for loss absorption through principal write-down or conversion to common equity tier 1 instruments; and (6) preserve any existing rights to any accrued and unpaid interest and any other amounts payable under the Notes and relative Coupons which has accrued to Noteholders or Couponholders and not been paid;
- (e) such securities are listed on the same stock exchange or market as the Notes or the London Stock Exchange or any other United Kingdom or EEA regulated market or any market in an Organisation for Economic Co-operation and Development (OECD) member state selected by the Issuer; and
- (f) where the Notes which have been substituted or varied had a published rating solicited by the Issuer from one or more Rating Agencies immediately prior to their substitution or variation, such securities benefit from (or will, as announced, or otherwise confirmed in writing, by each such relevant Rating Agency, benefit from) an equal or higher published rating from each such Rating Agency as that which applied to the Notes (unless any downgrade is solely attributable to the ranking of the securities under (b) above); and

**Rating Agency** means any of S&P Global Ratings UK Limited, Moody's Investors Service Limited and Fitch Ratings Ltd. and each of their respective affiliates or successors.



## **6. Payments**

### **6.1 Method of Payment**

Subject as provided below:

- (a) payments in a currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment or other laws and regulations to which the Issuer or its Agents are subject, but without prejudice to the provisions of Condition 9, 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, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

### **6.2 Presentation of Notes and Coupons**

Subject as provided below, payments of principal and interest (if any) in respect of definitive Notes (if issued) will be made against presentation and surrender of definitive Notes or Coupons, as the case may be, at any specified office of any Paying Agent.

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.

Notwithstanding the foregoing:

- (a) the Issuer reserves the right to require Couponholders who do not make a declaration (such declaration being to the satisfaction of HM Revenue and Customs (**HMRC**)) that they are not resident in the United Kingdom to present their Coupons at a specified office of a Paying Agent situated outside the United Kingdom if the Issuer would otherwise be obliged to account to any taxing authority in the United Kingdom for any amount in respect of income tax (other than any tax withheld or deducted

from interest payable on the Notes) calculated by reference to the interest represented by the relevant Coupon; and

- (b) payments of interest in U.S. Dollars will only be made at the specified office of any Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and District of Columbia and its possessions)) (i) if (A) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment at such specified offices outside the United States of the full amount of interest on the Notes in the manner provided above when due, (B) payment of the full amount of such interest at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (C) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer and (ii) at the option of the relevant holder if such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

Fixed Rate Notes in definitive form should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall include Coupons falling to be issued on exchange of matured Talons).

If a Fixed Rate Note (other than a Subordinated Note or a Senior Non-Preferred Note) is presented without all unmatured Coupons relating thereto, then:

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

Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 12) or, if later, five years from the date on which such Coupon would otherwise have become due.

Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Note, Reset Note or Subordinated Note or Senior Non-Preferred Note which is also a Fixed Rate Note in definitive form, all unmatured Coupons and Talons (if any) relating to such Note (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

### 6.3 Payment Day

If any date for payment of any amount in respect of any Note or Coupon is not a Payment Day (as defined below), then the holder thereof shall not be entitled to payment of the relevant amount due until the next following Payment Day and shall not be entitled to any interest or other sum in respect of any such delay.

In this Condition, **Payment Day** means:

- (a) a day on which 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) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (b) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and
- (c) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

If the due date for redemption of any interest bearing Note in definitive form is not a due date for the payment of interest relating thereto, interest accrued in respect of such interest bearing Note from (and including) the last preceding due date for the payment of interest (or from (and including) the Interest Commencement Date, as the case may be) will be paid only against surrender of such interest bearing Note.

### 6.4 Interpretation of Principal and Interest

Any reference in these Terms and Conditions to “**principal**” in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 9 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes; and
- (e) any premium and any other amounts (other than interest) which may be payable under or in respect of the Notes.

Any reference in these Terms and Conditions to “**interest**” in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## **7. Exchange of Talons**

On and after the Interest Payment Date or the Fixed Interest Date (as appropriate) on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 12.

## **8. Agent and Paying Agents**

The name of the initial Agent and its initial specified office are set out below. If any additional Paying Agents are appointed in connection with the Notes, the names of such Paying Agents will be specified in Part B of the applicable Final Terms. 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 Rate of Interest, if applicable, or to calculate the Interest Amounts for any Interest Accrual Period, 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 London or in another city approved by the Trustee in Europe; and
- (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.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in subparagraph (b) of the fourth paragraph of Condition 6.2.

Notice of any such variation, termination, appointment or change will be given by the Issuer to the Noteholders in accordance with Condition 18.

## **9. Taxation**

All payments of principal and interest (if any) 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 or on behalf of the United Kingdom or any political subdivision thereof or by or on behalf of 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:

- (i) if this Note is a Senior Preferred Note or a Deposit Note, in respect of payments of interest (if any) and principal; or
- (ii) if this Note is a Subordinated Note or a Senior Non-Preferred Note, in respect of payments of interest (if any) only,

pay such 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 (in the case of Notes falling within (i) above only) principal and (in the case of any Notes) 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 if, at the time of such presentation, the Issuer is maintaining a Paying Agent in respect of the Note or Coupon outside of 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 (as defined in Condition 6.3); or
- (d) where the holder is able to avoid such withholding or deduction by presenting an appropriate certificate.

Notwithstanding any other provision of these Terms and Conditions, in no event will additional amounts be payable by (or on behalf of) the Issuer under this Condition 9 or otherwise in respect of any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations or agreements thereunder or any 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.

As used herein, the **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, the **Relevant Date** means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Noteholders in accordance with Condition 18.

For the avoidance of doubt, if this Note is a Subordinated Note or a Senior Non-Preferred Note, the Issuer will not pay any additional amounts under this Condition 9 in respect of principal of this Note.

## **10. Events of Default and enforcement - Senior Preferred Notes and Deposit Notes**

This Condition 10 applies only if this Note is a Senior Preferred Note or a Deposit Note, and references in this Condition 10 to “Notes” shall be construed accordingly.

- 10.1 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 the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall, subject to being indemnified and/or secured and/or prefunded to its satisfaction (but, in the case of the happening of any of the events mentioned in subparagraphs (b), (c) and (d) below in relation to the Issuer or any Principal Subsidiary (as defined below) or, in the case of the happening of any of the events mentioned in subparagraphs (e) and (f) below in relation to a Principal Subsidiary, only if the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders) give notice to the Issuer that the Notes are, and they shall immediately become, due and repayable as set out below, if any of the following events shall occur and be continuing:

- (a) the Issuer fails to pay any principal or interest in respect of the Notes within seven days of the due date; or
- (b) the Issuer defaults in performance or observance of or compliance with any of its other undertakings set out in the Notes or the Trust Deed which default is incapable of remedy or which, if capable of remedy, is not in the opinion of the Trustee remedied within 30 days (or such longer period as the Trustee may permit) after notice requiring remedy of such default shall have been given to the Issuer by the Trustee; or
- (c)
  - (i) any other present or future indebtedness in respect of moneys borrowed or raised in an amount of £40,000,000 or more (or its equivalent in any other currency) of the Issuer or any Principal Subsidiary becomes due and payable prior to its stated maturity pursuant to a default; or
  - (ii) any such indebtedness is not paid when due or (as the case may be) within any applicable grace period therefor; or
  - (iii) the Issuer or any Principal Subsidiary fails to pay when due or (as the case may be) within any applicable grace period therefor any amount payable by it under any present or future guarantee in an amount of £40,000,000 or more (or its equivalent in any other currency) (other than any guarantee given in the ordinary course of its business) for any indebtedness in respect of moneys borrowed or raised; or
  - (iv) any mortgage, charge, pledge, lien or other encumbrance present or future securing an amount of £40,000,000 or more (or its equivalent in any other currency) and created or assumed by the Issuer or any Principal Subsidiary becomes enforceable and the holder thereof takes any steps to enforce the same; or
- (d) a distress or execution or other similar legal process in respect of a claim for £20,000,000 or more is levied or enforced or sued out upon or against any part of the property, assets or revenues of the Issuer or any Principal Subsidiary and is not discharged or stayed within 30 days of having been so levied, enforced or sued out; or
- (e) the Issuer or any Principal Subsidiary becomes insolvent or is unable to pay its debts as they mature or applies for or consents to or suffers the appointment of a liquidator or receiver or administrator or similar officer of itself or the whole or any substantial part of its undertaking, property, assets or revenues or takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors or ceases or threatens to cease to carry on all or substantially all of its business except in any case:
  - (i) in connection with a Permitted Reorganisation or other substitution pursuant to Condition 14; or
  - (ii) for the purpose of a reconstruction, union, transfer, merger or amalgamation effected with the prior written consent of the Trustee or with the approval (by way of Extraordinary Resolution) of the Noteholders; or
  - (iii) (in the case of a Principal Subsidiary) where all or the major part of the business, undertaking and assets of such Principal Subsidiary is either (A) transferred to the Issuer and/or one or more Subsidiaries of the Issuer or (B) sold to one or more third party purchasers on arm's length terms; or

- (f) an order is made or an effective resolution is passed for the winding up or dissolution of the Issuer or any Principal Subsidiary or the authorisation or registration of the Issuer is or is proposed to be cancelled, suspended or revoked or anything analogous or similar to any of the foregoing occurs, except in any case:
  - (i) in connection with a Permitted Reorganisation or other substitution pursuant to Condition 14; or
  - (ii) for the purposes of a reconstruction, union, transfer, merger or amalgamation effected with the consent of the Trustee or with the approval (by way of Extraordinary Resolution) of the Noteholders; or
  - (iii) (in the case of a Principal Subsidiary) where all or the major part of the business, undertaking and assets of such Principal Subsidiary is either (A) transferred to the Issuer and/or one or more Subsidiaries of the Issuer or (B) sold to one or more third party purchasers on arm's length terms.

**Principal Subsidiary** means a Subsidiary of the Issuer whose total assets (attributable to the Issuer) represent 10 per cent. or more of the consolidated total assets of the Issuer and its Subsidiaries (all as more particularly described in the Trust Deed). A certificate signed by two Authorised Signatories (as defined in the Trust Deed) that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further inquiry or evidence and, if so relied upon, shall, in the absence of manifest or proven error, be conclusive and binding on all parties.

- 10.2 If the Notes become due and repayable pursuant to this Condition 10, they shall be repayable at the Early Redemption Amount together (where applicable) with accrued interest as provided in the Trust Deed.
- 10.3 At any time after the Notes become due and repayable the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce repayment of the Notes, but it shall not be bound to take any such proceedings unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.
- 10.4 No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound to proceed, (i) fails to do so, or (ii) is unable for any reason to do so, and such failure or inability is continuing.

## **11. Events of Default and enforcement – Senior Non-Preferred Notes and Subordinated Notes**

This Condition 11 applies only if this Note is a Senior Non-Preferred Note or a Subordinated Note, and references in this Condition 11 to “Notes” shall be construed accordingly.

- 11.1 *Non-payment when due:* If default is made for a period of seven days or more in the payment of any principal due on the Notes or any of them or for a period of 14 days or more in the payment of any interest due on the Notes or any of them, 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 and/or secured and/or prefunded to its satisfaction), 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, but may take no other action in respect of such default (except as provided in Condition 11.2).

- 11.2 *Winding up or dissolution:* In the event of a winding up or dissolution of the Issuer (subject as otherwise provided in an Excluded Dissolution), whether or not instituted by the Trustee pursuant to Condition 11.1, 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 and/or secured and/or prefunded to its satisfaction), give notice to the Issuer (or the relevant official presiding over such winding up or dissolution) that the Notes are, and they shall accordingly immediately become, due and repayable at their Early Redemption Amount together (if applicable) with accrued interest as provided in the Trust Deed, and shall claim and/or prove in such winding up or dissolution in respect of the Notes (such claim ranking as provided in Condition 2.2 or Condition 2.3, as applicable).
- 11.3 *Enforcement:* Without prejudice to Conditions 11.1 and 11.2, the Trustee may at its discretion and without notice 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 (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed, including, without limitation, payment of any principal or interest in respect of the Notes, including any damages awarded for breach of any obligations) and 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, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to these Terms and Conditions and the Trust Deed, nor will the Trustee accept the same, otherwise than during or after a winding up or dissolution of the Issuer.
- 11.4 *Rights of holders:* No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, (i) fails to do so, or (ii) is unable for any reason to do so, in which case any such holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise. No such holder shall be entitled to institute proceedings for the winding up of the Issuer, or to prove in any winding up or dissolution of the Issuer, except that if the Trustee, having become bound to proceed against the Issuer as aforesaid, fails to do so or is unable for any reason to do so, or, being able to prove in any winding up or dissolution of the Issuer, fails to do so, then any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute proceedings for the winding up in England (but not elsewhere) of the Issuer and/or prove in any winding up or dissolution of the Issuer to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do in respect of such Notes and/or Coupons held by him.
- 11.5 *Extent of remedy:* No remedy against the Issuer, other than the institution of proceedings for the winding up in England of the Issuer and/or the proving or claiming in any winding up or dissolution of the Issuer, shall be available to the Trustee, the Noteholders or the Couponholders for the recovery of amounts owing in respect of such Notes or the relative Coupons or under the Trust Deed in so far as it relates to the Notes or the relative Coupons.
- 11.6 *Rights of the Trustee:* The Trustee may at its discretion institute such proceedings as are contemplated by this Condition 11 against the Issuer to enforce the obligations of the Issuer under the Trust Deed in so far as it relates to the Notes or the relative Coupons, but it shall not be bound to institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the holders of the Notes or so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.



## **12. 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.

## **13. 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) (including at a physical location or by means of any electronic platform (such as conference call or videoconference) or a combination of such methods) 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. Any such meeting may be held as physical meeting or may instead be held by way of audio or video conference call.

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 Terms and 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.

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. 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. In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments or Benchmark Replacement Conforming Changes in the circumstances and as otherwise set out in Condition 4.4 without the consent of the Noteholders or Couponholders. 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 18.

In connection with the exercise by it of any of its trusts, powers or discretions (including, without limitation, any modification, waiver, authorisation or substitution), 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 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

## **14. Substitution**

### **14.1 Substitution in connection with a Permitted Reorganisation**

- (a) In the event of a Permitted Reorganisation, the Successor Entity will be substituted in place of the Issuer as principal debtor under the Trust Deed, the Notes and any relative Coupons and, unless such substitution is effected automatically by operation of law, the Issuer and (subject as provided below) the Trustee shall enter into one or more trust deeds supplemental to the Trust Deed to give effect to and/or to reflect such substitution, provided that:
- (i) prior to the entry into such trust deed(s) supplemental to the Trust Deed, the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that (A) the substitution of the Successor Entity in place of the Issuer as principal debtor under the Trust Deed, the Notes and any relative Coupons is being made pursuant to a Permitted Reorganisation and specifying details of such Permitted Reorganisation and (B) the Successor Entity has obtained all necessary governmental and regulatory approvals and consents necessary for its assumption of the obligations and liability as principal debtor under the Trust Deed in respect of the Notes and Coupons and in respect of such Notes and Coupons themselves in place of the Issuer and that such approvals and consents are at the time of substitution in full force and effect (and the Trustee shall be entitled to accept and rely on such certificate without liability to any person and without any further inquiry as sufficient evidence thereof, in which event it shall be conclusive and binding on the Trustee and all Noteholders and Couponholders); and
  - (ii) the Trustee shall not be obliged to enter into such trust deed(s) supplemental to the Trust Deed if such substitution pursuant to a Permitted Reorganisation would, in the Trustee's opinion, impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities in any material respect or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any material respect.
- (b) Save as expressly provided in Condition 14.1(c) below, a Permitted Reorganisation and any substitution of the Issuer in connection therewith shall be effected without the need or requirement for any consent or approval from the Trustee, the Noteholders or the Couponholders.
- (c) The Issuer has covenanted with the Trustee in the Trust Deed that it will not transfer its business to a successor in accordance with Section 97 of the Act or pursuant to an order made under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007, as amended (the **2007 Act**) unless either (i) the Trustee is satisfied that the successor will be or (as the case may be) remain an authorised person under the FSMA or (ii) such transfer is approved by an Extraordinary Resolution of the Noteholders.
- (d) For the purposes of these Terms and Conditions:

**Permitted Reorganisation** means any of:

- (i) an amalgamation of the Issuer and one or more other building societies under section 93 of the Act (or any successor provision thereto);

- (ii) a transfer by the Issuer of all or substantially all of its engagements under section 94 of the Act (or any successor provision thereto);
- (iii) a transfer by the Issuer of the whole of its business to a company under sections 97 to 102D of the Act (or any successor provisions thereto);
- (iv) a transfer by the Issuer of the whole of its business to a subsidiary of a mutual society pursuant to any order made by HM Treasury under section 3 of the 2007 Act (or any successor provisions thereto); or
- (v) an alteration in the status of the Issuer by virtue of any statute or statutory provision which alters, or permits the alteration of, the status of building societies generally or building societies which meet specified criteria to another type of body authorised under the Financial Services and Markets Act 2000 as amended, consolidated or re-enacted from time to time (the **FSMA**) or to a body which is regulated on a similar basis to an authorised person under the FSMA; and

**Successor Entity** means:

- (i) (in respect of an amalgamation of the Issuer and one or more other building societies under section 93 of the Act (or any successor provision thereto)), the resulting building society;
- (ii) (in respect of a transfer by the Issuer of all or substantially all of its engagements under section 94 of the Act (or any successor provision thereto), a transfer by the Issuer of the whole of its business to a company under sections 97 to 102D of the Act (or any successor provisions thereto) or a transfer of the whole of its business to a subsidiary of a mutual society pursuant to any order made by HM Treasury under section 3 of the 2007 Act (or any successor provisions thereto)), the relevant transferee; or
- (iii) (in respect of an alteration in the status of the Issuer by virtue of any statute or statutory provision which alters, or permits the alteration of, the status of building societies generally or building societies which meet specified criteria to another type of body authorised under the FSMA or to a body which is regulated on a similar basis to an authorised person under the FSMA), the resulting authorised person under the FSMA or, as the case may be, the resulting body which is regulated on a similar basis to an authorised person under the FSMA.

#### **14.2 Substitution other than in connection with a Permitted Reorganisation**

In circumstances other than a Permitted Reorganisation, and subject as provided in the Trust Deed, the Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders, may agree, without the consent of the Noteholders or Couponholders, to the substitution of any successor in business of the Issuer or of a Subsidiary of the Issuer or any such successor in business in place of the Issuer as principal debtor under the Notes and the Trust Deed in respect of the Notes, provided (in case of the substitution of any company which is a Subsidiary of the Issuer or such successor in business) that the obligations of such Subsidiary in respect of the Notes and the Trust Deed in respect thereof shall be guaranteed by the Issuer or such successor in business in such form as the Trustee may require.

#### **14.3 Additional provisions relating to Subordinated Notes and Senior Non-Preferred Notes**

This Condition 14.3 applies only if this Note is a Subordinated Note or a Senior Non-Preferred Note, and references in this Condition 14.3 to Notes shall be construed accordingly.

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 2006 as amended (or any successor thereto or re-enactment thereof) or to a body corporate which is incorporated in a European Economic Area (EEA) state pursuant to Section 97 of the Act or pursuant to an order made under section 3 of the 2007 Act then, upon such transfer becoming effective:

- (a) 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 an EEA firm qualifying for authorisation under Schedule 3 to the FSMA or, if such evidence is not so delivered, procure that such transfer is approved by an Extraordinary Resolution of the Noteholders; and
- (b) it will, and will procure that the Transferee Company will execute one or more deeds 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 (or otherwise rank junior) to the claims of the persons who are holders of share investments (other than deferred share investments) 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 and unsubordinated creditors of the Transferee Company (save that if this Note is a Senior Non-Preferred Note, the rights of the holders of the Notes may rank *pari passu* with any Secondary Non-Preferential Debts in respect of the Transferee Company or any other claims which rank, or are expressed to rank, *pari passu* therewith);
    - (B) (if this Note is a Subordinated Note) are subordinated and postponed to the claims in respect of the Senior Non-Preferred Notes; and
    - (C) will be such that they rank in priority to the holders of the issued share 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:

- (1) any qualifying own funds or capital resources of the Issuer for the purposes of the Regulatory Capital Requirements prevailing at that time to be excluded from such own funds or capital resources; or
- (2) any liabilities of the Issuer which, for the purposes of the Loss Absorption Regulations prevailing at that time, qualify towards the Issuer's minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments to be excluded from such minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments.

#### **14.4 Effect of substitution**

Any substitution pursuant to this Condition 14 shall be binding on the Issuer, the Trustee, 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 18.

#### **15. Further Issues**

The Issuer is at liberty from time to time without the consent of the Trustee, 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, or on such other terms as it may elect.

#### **16. Replacement of Notes, Coupons and Talons**

If a Note (including any Global Note), Coupon or Talon 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 18, 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, Coupons or Talons must be surrendered before replacements will be issued.

#### **17. Indemnification of, and transactions by, 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 and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer or any Subsidiary of the Issuer without accounting for any profit resulting therefrom.

#### **18. Notices**

Subject to the following paragraph, 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 (including publication on the website of the relevant stock exchange or relevant authority if required by those rules and regulations). 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. If publication as aforesaid is not practicable, notices will be valid if given in such other manner and shall be deemed to have been given on such date as the Issuer and the Trustee may determine. 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 18.

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 and/or any other clearing system approved by the Trustee, be substituted for such publication as aforesaid the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or such other clearing system (as the case may be) 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 and/or such other clearing system, 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 and/or any other clearing system approved by the Trustee in which the Notes are cleared, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg and/or such other clearing system, as the case may be, may approve for this purpose.

## **19. Governing Law**

The Trust Deed, the Notes, the Coupons and the Talons 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.

## **20. 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.

## **21. Recognition of UK Bail-in Power**

- (a) Notwithstanding, and to the exclusion of, any other term of the Notes or any other agreements, arrangements or understandings between the Issuer and any Noteholder (or the Trustee on behalf of any Noteholder), by its acquisition of any Note (or any interest therein), each Noteholder acknowledges and accepts that the Amounts Due arising under the Notes may be subject to the exercise of the UK Bail-in Power by the Resolution Authority, and acknowledges, accepts, consents, and agrees to be bound by:
  - (i) the effect of the exercise of the UK Bail-in Power by the Resolution Authority, that may include and result in (without limitation) any of the following, or some combination thereof:
    - (A) the reduction of all, or a portion, of the Amounts Due;
    - (B) the conversion of all, or a portion, of the Amounts Due on the Notes into shares, deferred shares (including core capital deferred shares), other securities or other obligations of the Issuer or another person (and the issue to or conferral on the Noteholder of such shares, deferred shares (including core capital deferred shares), securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes;
    - (C) the cancellation of the Notes; and/or
    - (D) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, and/or the date on which the interest becomes payable, including by suspending payment for a temporary period; and
  - (ii) the variation of the terms of the Notes and the Trust Deed, if necessary, to give effect to the exercise of the UK Bail-in Power by the Resolution Authority.
- (b) No repayment or payment of Amounts Due on the Notes, will become due and payable or be paid after the exercise of any UK Bail-in Power by the Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, suspended (for so long as such suspension or moratorium is outstanding), amended or altered as a result of such exercise.

- (c) Neither a reduction or cancellation, in part or in full, of the Amounts Due or the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the UK Bail-in Power by the Resolution Authority with respect to the Issuer, nor the exercise of the UK Bail-in Power by the Resolution Authority with respect to the Notes, will be an Event of Default or otherwise constitute a breach of or default under the terms of the Notes or the Trust Deed nor a default or event of default for any other purpose.
- (d) Upon the exercise of the UK Bail-in Power by the Resolution Authority with respect to any Notes, the Issuer shall promptly give notice to the Noteholders in accordance with Condition 18 and to the Trustee and the Paying Agents. Any delay or failure by the Issuer in delivering any notice referred to in this Condition shall not affect the validity or enforceability of the UK Bail-in Power.
- (e) For the purposes of this Condition 21:
- (i) **Amounts Due** means the nominal amount of, and any accrued but unpaid interest on, the Notes. References to such amounts will include (but will not be limited to) amounts that have become due and payable, but which have not been paid, prior to the exercise of the UK Bail-in Power by the Resolution Authority;
  - (ii) **Resolution Authority** means the Bank of England or any successor or replacement thereto and/or such other authority in the United Kingdom with the ability to exercise the UK Bail-in Power;
  - (iii) **UK Bail-in Power** means any write-down, conversion, transfer, modification, moratorium and/or suspension power (including, without limitation, any write-down or conversion powers which may be exercised by the Resolution Authority independently of resolution proceedings) existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, building societies, financial holding companies, mixed financial holding companies, credit institutions and/or investment firms (and/or any group company of any of the foregoing) incorporated in the United Kingdom in effect and applicable in the United Kingdom to the Issuer or other members of its group, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a resolution regime in the United Kingdom under the Banking Act 2009 and/or the Loss Absorption Regulations, in each case as amended from time to time; and
  - (iv) references in this Condition 21 to any **Note** or **Noteholder** shall be deemed to include reference to any **Coupon** or **Couponholder**, respectively, where the context admits, and references to Noteholder and Couponholder shall include holders of beneficial interests in any Note or Coupon, respectively.

## USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied for general purposes of the Issuer including without limitation, making mortgage advances on private residential property located in the UK and making a profit, or as otherwise specified in the applicable Final Terms in respect of any Notes.

### **Sustainable Notes**

Notes may be issued as Sustainable Notes and the applicable Final Terms will indicate if the Notes are intended to constitute Sustainable Notes.

The Issuer intends to allocate an amount equal to the net proceeds from any issue of Sustainable Notes to advance loans to the Issuer's customers on a targeted basis for the purposes of the financing and/or refinancing by such customers of Eligible Sustainable Projects, in line with any sustainability framework the Issuer may publish from time to time. See the risk factor entitled *"In respect of any Notes issued as Sustainable Notes, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor"*.



## DESCRIPTION OF THE SOCIETY

### *Overview*

Nationwide is a building society, incorporated in England and Wales under the United Kingdom Building Societies Act 1986, as amended, and authorised by the PRA and regulated by the FCA in relation to conduct of business matters and by the PRA in relation to prudential requirements. The Society's FCA Mutuals Public Register Number is 355B. The principal office of the Society is Nationwide Building Society, Nationwide House, Pipers Way, Swindon, SN38 1NW (phone number +44 (0) 1793 658 777). The Society is the largest building society in the UK in terms of total assets, with £272.4 billion of assets as at 4 April 2022. The Society has approximately 625 branches and over 16 million customers.

The Society's core business is providing personal financial services, primarily residential mortgage loans, retail savings and personal current accounts. In addition, the Society maintains a portfolio of debt securities for its own account for liquidity management purposes.

The Society is currently the sixth largest deposit taker and the second largest provider of residential mortgages in the UK, with estimated market shares of approximately 9.4 per cent. (as calculated by the Society based on Bank of England data) and 12.4 per cent. based overall mortgage balances (stock) share (according to Bank of England data), respectively, as at 4 April 2022.

As a mutual organisation, the Society is managed for the benefit of its members, who are primarily its residential mortgage, retail savings and current account customers. The main focus of the Society is serving its members' interests while retaining sufficient profit to increase and further develop its business and meet regulatory requirements. The Society returns value to its members by offering typically higher interest rates on savings and lower interest rates on loans than those offered by its main competitors. As a result of returning value to its members, the Society typically earns lower pre-tax profits than its main competitors, which are banks or other non-mutual organisations.

The Society benchmarks its products and performance against a group of leading retail banks operating in the UK (Barclays, Halifax, HSBC UK, Lloyds Bank, NatWest, Santander UK and TSB) and seeks to offer more consistent long-term good value on savings and prime mortgages than is offered by this peer group. In addition to returning value to members through its competitive products, the Society believes that it provides better service to its customers than that offered by most of its competitors and this is a key component of the Society's strategy.

### **Strategy**

As a mutual, owned by its members, the Society was founded to help people save and buy homes of their own. The Society continues to be driven by this same social purpose today: 'building society, nationwide'. The Society is committed to doing business in a way that positively impacts its members, employees, communities and the environment.

The Society's focus on mortgages and savings remains as relevant today as it was when it was founded in the 19th century. Additionally, its current account proposition further strengthens the Society's relationships with its members, supporting their day-to-day financial needs. The Society also offers a broad range of financial services that complement its core products of mortgages, savings and current accounts.

The Society's strategy is underpinned by its five cornerstones which are outlined below. These are focused on providing outstanding service and long-term value to its members, remaining a financially strong and secure Society, supporting its employees and creating a fulfilling work environment that enables them to best serve the Society's members, and being better for society too. These cornerstones are supported by the Society's strategic targets and key performance indicators that help it to deliver its strategy.

## ***Built to Last***

Built to Last is about remaining resilient and secure, and keeping the Society's members' money safe. The Society's members need to know that the Society is dependable, and that they can trust it with their money. The Society does this by:

- generating a level of profit sufficient to maintain its financial strength and invest for the future;
- continued investment in the resilience and strength of its control processes, operations and technology;
- maintaining a prudent approach to risk management, measuring performance against Board risk appetite; and
- focusing on delivering its strategy in an efficient way, in areas that provide most value to members and the Society.

As a member-owned mutual organisation, the Society aims to achieve the right balance between retaining a sufficient level of profit to maintain its financial strength, delivering value to its members through better rates, service, incentives and propositions, and investing to meet the needs and expectations of members in the future.

The Society's capital base remains strong, with a Common Equity Tier 1 (CET1) ratio of 24.1 per cent. (4 April 2021: 36.4 per cent.)<sup>2</sup> and a leverage ratio of 5.4 per cent. (4 April 2021: 5.4 per cent.).

In the year ended 4 April 2022, the Society provided £325 million of member financial benefit, £60 million higher than the year before, due to strong ISA rates in April 2021 and the increases to the bank base rate, enabling the Society to provide more value to savings members. However, this is below the Society's target of £400 million and reflects the historically low interest rate environment for much of the past year, combined with a highly competitive mortgage market that limited the benefit for the Society's members. Over the last five years, the Society has rewarded members with around £2.9 billion in additional value, demonstrating its commitment to delivering real, long-term financial value to members as a result of its mutuality. In the year ended 4 April 2022, the Society has introduced new benefits for members such as the monthly prize draw.

The Society's financial performance is supported by its continued focus on efficiency. The Society intends to continue to put its members and their money first by making careful choices on how best to allocate its resources. Cost efficiency remains an important area of focus, and the Society's costs remained flat in the year ended 4 April 2022, even as it continued to invest in and grow its business.

## ***Building PRIDE***

PRIDE is the Society's shared set of values, beliefs and behaviours that define who it is and the way it conducts its business. It is about creating the right culture where all its colleagues feel supported and can thrive, and building skills and talent for the future, so it can do the best for its members. The guiding principles of PRIDE are:

- Putting the Society's members and their money first.
- Rising to the challenge.
- Inspiring trust.

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<sup>2</sup> Reduction in CET1 ratio from 2021 predominantly reflects changes in IRB modelling requirements – see the risk factor “*Capital and liquidity requirements*”.

- Doing the right thing in the right way.
- Empowering each other.

In delivering on these values, the Society equips its people by:

- providing them with the capabilities and skills they need to best serve its members;
- trusting them with accountable freedom, giving them the space to be innovative and flexibility to work remotely;
- developing its leaders and high potential talent to enable a more empowered and agile workforce;
- accessing key skills, talent and new thinking by creating new roles and evolving its workspaces based on its needs for the future;
- simplifying reward and recognition structures to ensure its people feel valued for their contribution; and
- continuing to embed inclusion and diversity in its culture and ways of working, including in its people processes, such as recruitment, talent leadership, reward, flexible working and progression.

The Society is, and intends to remain, one of the UK's best places to work. The Society aims to create a distinctive experience for its colleagues that supports their performance, learning, growth and wellbeing. The Society also believes it is important to build an inclusive culture, and wants the Society to reflect the diversity of the wider communities it serves.

### ***Building legendary service***

The Society's ambition is for members to experience its service as heartfelt, easy, lifelong and personal. The Society aims to be a leading brand for customer service, both among its peer group and across all sectors in the UK, as it:

- continues to develop a multi-skilled, flexible workforce to support the parts of the Society where member demand for its services is highest;
- invests in growing its digital capabilities and expertise, as it reshapes itself for an increasingly digital world, which has been accelerated by the Covid-19 pandemic;
- provides easy and seamless access to its people and technology, improving its members' digital experiences, and being there for its members when they need it;
- continues to support UK high streets and communities through the extension of its Branch Promise to remain in every town or city the Society is in today, until at least 2023; and
- delivers on its members' expectations by getting it right first time.

The Society believes that delivering leading levels of member satisfaction is a key point of differentiation for it and an important driver in helping to grow its membership. The Society measures its service satisfaction performance among its peer group (defined as competitors with main current account market share greater than 3.5 per cent. as of April 2021), using an independent Financial Research Survey (**FRS**) conducted by market research expert, Ipsos. The Society is pleased to have remained number one for customer satisfaction among its peer group for ten years. Its latest customer satisfaction lead of 4.6 percentage points is significantly above its 2

percentage point target.<sup>3</sup> The Society also has a strategic target to be among the top five organisations across all sectors for customer service, as measured by the Institute of Customer Service's UK Customer Satisfaction Index, and in the latest survey in July 2022, the Society ranked thirty-seventh<sup>4</sup>.

### ***Building thriving membership***

The Society can support its members in achieving their financial goals, wherever they are in life, whether home ownership, saving for the future, or helping with their day-to-day finances. As the Society deepens its relationships with its members, it can help them make more of their money and improve their financial wellbeing. The Society will deliver real value to its membership by:

- innovating its savings proposition, in a low bank base rate environment, to find new ways to reward members and encourage saving, such as with its prize draw savings accounts;
- delivering a membership proposition that recognises loyalty by rewarding members;
- building relationships through enhanced products and services; and
- building depth in the Society's core products of mortgages, savings and current accounts.

Growing its base of committed members allows the Society to bring the benefits of mutuality to a wider population. The Society measures its performance through the number of committed members. A **committed member** is one who holds a mortgage or savings account with the Society (with a balance greater than £5,000 or £1,000, respectively) or who holds their main personal current account with the Society, plus at least one other product. As at 4 April 2022 the Society had 3.62 million committed members (4 April 2021: 3.55 million).

### ***Building a national treasure***

The Society's ambition is to be considered a 'national treasure' in British society, by making a difference in its communities and society, and being recognised as a responsible, sustainable and caring provider of financial services. The Society will continue to leverage the mutual difference that sets its brand apart by:

- leading by example, being an influencer and acknowledged expert in its field;
- leveraging data to provide personalised member insight and propositions; and
- aligning its social investment agenda with its purpose of 'building society, nationwide', through a focus on housing initiatives.

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<sup>3</sup> Lead at March 2022: 4.6 percentage points, March 2021: 1.6 percentage points. © Ipsos 2022, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to 12 months ending 31 March 2022. Results based on a sample of around 48,000 adults (aged 16+). The survey contacts around 53,000 adults (aged 16+) a year in total across Great Britain. Interviews were face to face, over the phone and online, taking into account (and weighted to) the overall profile of the adult population. The results reflect the percentage of extremely satisfied and very satisfied customers minus the percentage of customers who were extremely or very or fairly dissatisfied across those customers with a main current account, mortgage or savings. Those in the Society's peer group are providers with more than 3.5% of the main current account market as of April 2021 – Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB. Prior to April 2017, those in the Society's peer group were providers with more than 6% of the main current account market – Barclays, Halifax, HSBC, Lloyds Bank (Lloyds TSB prior to April 2015), NatWest and Santander. This information has been sourced from Ipsos, and has been accurately reproduced and, as far as the Society is aware and is able to ascertain from information published by Ipsos, no facts have been omitted which would render information inaccurate or misleading.

<sup>4</sup> Institute of Customer Service UK Customer Satisfaction Index (**UKCSI**) as at July 2022. This information has been sourced from UKCSI, and has been accurately reproduced and, as far as the Society is aware and is able to ascertain from information published by UKCSI, no facts have been omitted which would render information inaccurate or misleading.

The Society's brand is the sum of how its members and others perceive it. A strong brand, effective both in digital and traditional media, is essential to attract new members. The Society's mutual difference and ethic of care has never been more relevant and it is committed to progressing bold initiatives that support its ambition of building society, nationwide. Aligned to this, in 2020, the Society announced its five Mutual Good Commitments, centred around:

- helping to achieve safe and secure homes for all;
- leading the greening of UK homes;
- supporting its members' financial wellbeing;
- championing thriving communities; and
- internally reflecting the diversity of society.

## Climate Change

The Society realises the impact climate change could have on its members, their homes and wider society, and since 2019, in working towards meeting the requirements of the PRA's Supervisory Statement 3/19 (*Enhancing banks' and insurers' approaches to managing the financial risks from climate change*), it has been enhancing and embedding its capabilities to monitor and manage the impact of climate change. The Society considers climate change risk to manifest across two main causes, physical and transition risk:

- **Physical risk** – the risk arising from the increasing severity and frequency of climate and weather-related events such as flooding.
- **Transition risk** – the risks which could result from the process of adjustment towards a lower carbon economy such as through developments in policy and regulation, emergence of disruptive technology or business models, shifting societal preferences, or evolving legal interpretations.

The Society conducts physical risk assessments on properties it lends on at the point of mortgage origination, in line with its lending criteria. This allows different methods of valuation (the automated valuation model, desktop full physical) to be mandated, and informs whether the property is fit for mortgageable purposes and the property's current value.

The Society uses EPC data to inform its transition risk assessment and the application of lending policy. An EPC is required every time a property is built, sold or rented and is valid for 10 years; therefore, only around half of the Society's mortgage properties have a current EPC. The Society has developed an internal model to forecast the EPC ratings of properties within its mortgage portfolio, based on a property's unique characteristics and that of similar properties, for those properties which do not have a valid EPC.

The Society's purpose of "building society, nationwide" aligns with the need to transition to a net zero economy – to achieve an overall balance between greenhouse gas emissions produced and taken out of the atmosphere. UK homes and the energy they consume account for approximately 16 per cent.<sup>5</sup> of the UK's carbon emissions and many of the homes being built today are still not energy efficient enough to meet the requirements for a net zero economy.

In 2020, the Society launched its Mutual Good Commitments, which included the ambition to lead the greening of UK homes. To support this, the Society has the ambition that at least 50 per cent. of its mortgage portfolio

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<sup>5</sup> Department for Business, Energy & Industrial Strategy, 2020 UK Greenhouse Gas Emissions, Final Figures (February 2022). This information has been sourced from information provided by the Department for Business, Energy & Industrial Strategy, and has been accurately reproduced and, as far as the Society is aware and is able to ascertain from information published by Department for Business, Energy & Industrial Strategy, no facts have been omitted which would render information inaccurate or misleading.

will have an EPC rating of C or above by 2030. As at 31 December 2021 around 37 per cent. of its mortgage portfolio was rated EPC C or above.

In June 2021, the Society pledged to a Net Zero future by joining the UN-backed Net-Zero Banking Alliance and becoming part of the Glasgow Financial Alliance for Net Zero, helping transition the economy to net zero emissions by 2050. In support of this commitment, the Society has signed up to the Science-based Target Initiative's (SBTi) 1.5-degree Business Ambition. The SBTi set the industry standards for the setting of science-based targets. The Society has begun the process of exploring setting these science-based targets and developing a transition plan to detail how it intends to achieve them.

The Society has been carbon neutral for its scope 1 (direct emissions from owned sources such as emissions from its car fleet) and scope 2 (indirect emissions from the generation and consumption of purchased electricity and heating such as the electricity bought by the Society to power its branches) emissions since April 2020. The Society has also disclosed its scope 3 (all other indirect emissions that occur in its value chain such as emissions from its mortgage properties) emissions in line with the Partnership for Carbon Accounting Financials' methodology.

The Society's emissions are detailed in its climate-related financial disclosures, issued alongside its 2021/22 annual report and accounts, and aligned to the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) and its objective to improve and increase the reporting of climate-related financial information. The Society has been, and remains, an official supporter of the TCFD since 2019.

The Society has made available a £1 billion loan fund for preferential rate mortgages and additional borrowing for new energy efficient properties and green home improvements and has launched:

- a Green Additional Borrowing mortgage product for its members, and a Green Further Advance Mortgage for its The Mortgage Works (UK) plc (TMW) customers, to help make energy efficient home improvements; and
- a Green Reward Mortgage product, offering cashback to members who purchase properties with an EPC of A or B.

In support of the Society's Net Zero aims, it continues to develop new and innovative propositions to help combat climate change and has recently launched an end-to-end retrofit pilot scheme, focused on solar energy, to support members who wish to improve their environment credentials.

In 2021, the Society further enhanced its internal climate change scenario analysis capabilities and understanding of both the physical and transition climate risks within its balance sheet, through its participation in the PRA's inaugural Climate Biennial Exploratory Scenario. The Society recognises that it alone cannot improve the energy efficiency of UK homes, which is why it is also working with government and industry to make the greening of UK homes a reality.

## **History and Development**

Building societies have existed in the UK for over 200 years. From the outset, they were community-based, cooperative organisations created to help people purchase homes. The main characteristic of building societies is their mutual status, meaning that they are owned by their members, who are primarily retail savings and residential mortgage customers. The Society's origins date back to the Southern Co-operative Permanent Building Society (1884). Over time, this entity merged with similar organisations to create Nationwide Building Society.

Over the past 30 years, many building societies have merged with other building societies or demutualised and transferred their businesses to existing or specially formed banks. As a result, the number of building societies in the UK has fallen dramatically over the same period. One consequence of this decrease is that the majority of the Society's competitors are banks. The Society believes that its mutual status allows it to compete successfully with banks, and it is the Society's strategy to remain a building society.

In 1997, when many of the Society's competitors that were building societies demutualised, it experienced a sharp increase in the number of new UK member retail savings accounts. The Society believes that many of these accounts were opened because customers expected the Society to demutualise and wanted to receive any associated windfall distributions. At its annual general meeting in 1998, the Society's members voted against a proposal to demutualise and no subsequent motion to demutualise has since been proposed at a general meeting of the Society. In order to prevent the disruption caused by speculative account opening, the Society has generally required all new members opening accounts since November 1997 to assign to charity any windfall benefits which they might otherwise have received as a result of a future demutualisation. As such, a majority of members would not benefit personally from either a demutualisation or takeover of Nationwide, significantly lessening the incentive to vote for demutualisation or any proposed takeover of the Society by a competitor which is incorporated as a limited liability company.

The Society has been involved in a number of mergers and acquisitions in recent years. The Society merged with Portman Building Society in August 2007 and with Cheshire Building Society and Derbyshire Building Society in December 2008. In March and June 2009, the Society also acquired selected assets and liabilities of Dunfermline Building Society. The Society believes these developments have added value, improved its distribution footprint, helped to grow the membership and is a testament to its strength and its ability to provide support to other building societies.

During the year ended 4 April 2017 and in line with its core purpose of "building society, nationwide", the Society decided to exit its offshore deposit taking business in the Isle of Man and also announced the closure of its Republic of Ireland branch operations. In addition, the Society has ceased to advance new commercial loans as it has determined that the commercial lending business is no longer a good fit with its core purpose.

### Group Structure and Principal Subsidiaries

The Society is the principal holding entity of the Group and the main business of the Group is conducted by the Society. The Society's interests in its principal subsidiary undertakings, all of which are consolidated, as at 4 April 2022 are set out below:

<b>100% held subsidiary undertakings</b>	<b>Nature of business</b>
Nationwide Syndications Limited	Syndicated lending
The Mortgage Works (UK) plc	Centralised mortgage lender
Derbyshire Home Loans Limited	Centralised mortgage lender
E-Mex Home Funding Limited	Centralised mortgage lender
UCB Home Loans Corporation Limited	Centralised mortgage lender

All the above subsidiary undertakings are limited liability companies which are registered in England and Wales and operate in the UK and, with the exception of Nationwide Syndications Limited, they are all regulated entities.

Nationwide Syndications Limited is a wholly owned mortgage lender specialising in syndicated commercial loans to registered social landlords (**RSL**). Nationwide Syndications Limited has ceased to offer new lending.

TMW is a wholly owned centralised mortgage lending subsidiary, specialising mainly in residential BTL lending to individuals.

Each of Derbyshire Home Loans Limited, E-Mex Home Funding Limited (**E-Mex**) and UCB Home Loans Corporation Limited (**UCB**) is a wholly owned subsidiary that has ceased to offer new lending.

The Society also has interests in structured entities. A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are consolidated when the substance of the relationship indicates control.

The table below provides details of these entities as at 4 April 2022.

<b>Group undertaking</b>	<b>Nature of business</b>	<b>Country of registration</b>	<b>Country of operation</b>
Nationwide Covered Bonds LLP	Mortgage acquisition and guarantor of covered bonds	England and Wales	UK
Silverstone Master Issuer plc	Funding vehicle	England and Wales	UK
Silverstone Funding No. 1 Limited	Funding vehicle	England and Wales	UK

## **Business of the Society**

### ***Retail business***

The Society's retail business aims to offer its customers a full range of personal financial services products comprising residential mortgage lending, a range of savings products as well as investments and general insurance solutions, both directly and through intermediary sales channels.

### ***Residential mortgage lending***

The vast majority of the Society's lending portfolio consists of UK residential mortgage loans to individuals. These loans are secured on the residential property of the borrower on terms which allow for repossession and sale of the property if the borrower breaks the terms and conditions of the loan. This lending can take the form of either prime residential lending (where the borrower is the owner and occupier of the mortgaged property and meets the Society's credit requirements for prime lending) or BTL and legacy residential lending (which are loans advanced to borrowers who intend to let the mortgage property). The Society's policy is for all residential mortgage loans to individuals to be fully secured first priority loans on the mortgaged property, to ensure that its claim to the property, in the event of default, is senior to those of other potential creditors. As a result, the Society's residential mortgage lending to individuals carries lower risk than many other types of lending.

As at 4 April 2022, the Society was the second largest mortgage lender in the UK (as measured by total loans outstanding and calculated by the Society based on Bank of England data and publicly available financial information). The Society's residential mortgages are generally for terms of 20 to 30 years. While many customers remain with the Society for much or all of this term, some customers redeem their mortgage earlier than this in order to remortgage to another lender or for other reasons. The minimum life of a mortgage is usually between two and five years, depending on the terms of the customer's initial product, although the Society generally retains approximately 70 to 80 per cent. of customers when they reach the end of a product.

The table below shows a breakdown of the Society's prime, BTL and legacy residential mortgage lending outstanding balances as at 4 April 2022.

	<b>As at 4 April 2022</b> <b>(£ billion)</b>
Prime.....	154.4



BTL and legacy <sup>(1)</sup> .....	43.7
<b>Total</b> .....	<b>198.1</b>

<sup>(1)</sup> This category of lending was previously referred to as specialist lending.

Source: Nationwide Building Society – audited financial statements for the year ended 4 April 2022

The Society offers BTL and legacy UK residential mortgage lending to individuals, comprising lending to private landlords (**BTL**) and has smaller legacy mortgage portfolios in run-off (legacy). As at 4 April 2022, the Society's outstanding BTL and legacy UK residential mortgage lending to individuals was £43.7 billion. The BTL and legacy residential mortgage balance is made up of advances made through the Society's specialist lending brands, including TMW. The Society's outstanding legacy lending loans were advanced primarily in the BTL and self-certification markets. New lending in this category is restricted to BTL through TMW with the Society having withdrawn from the self-certified lending market in 2009.

The Society's BTL and legacy mortgages continue to perform well with cases three months or more in arrears representing only 0.50 per cent. of the total mortgage book as at 4 April 2022. While payment deferrals have helped suppress the flow of cases into arrears, the ability of some borrowers to recover from arrears has slowed given the pressures on income coupled with the suspended flow to possessions following the introduction of Nationwide's home support package, which included flexibility for mortgage repayments and a pledge for no reposessions before 31 May 2021.

The Society has a national franchise within the UK, with a regional distribution of UK residential mortgage lending to individuals generally matching the regional gross domestic product distribution in the UK.

The table below shows the geographical distribution of the Society's UK residential mortgage loans as at 4 April 2022:

	<b>UK residential mortgage lending to individuals as at 4 April 2022</b>
	<i>(percentages)</i>
<b>Region</b>	
Greater London .....	33
Central England .....	19
Northern England .....	16
South East England (excluding London) .....	12
South West England .....	10
Scotland .....	6
Wales .....	3
Northern Ireland .....	1
<b>Total</b> .....	<b>100</b>

Source: Nationwide Building Society – audited financial statements for the year ended 4 April 2022

The Society offers fixed rate and tracker rate mortgages. These products establish a set rate or set methodology for determining a variable rate for a set term, after which the rate reverts to one of the Society's two general variable rates. The Society's fixed-rate products typically offer a term of two, three, four, five or ten years, but it has from time to time offered longer fixed terms, including 25 years. The Society's tracker rate products bear

interest during the set term (currently two or three years) at a variable rate that is a fixed percentage above the Bank of England base rate. After the end of the set fixed rate or tracker period, the interest rate reverts to either its base mortgage rate (**BMR**) (if the mortgage was originated on or before 29 April 2009) or its standard mortgage rate (**SMR**) (if the mortgage was originated on or after 30 April 2009). Both the BMR and the SMR are variable rates set at the Society's discretion, except that the BMR is guaranteed not to be more than 2 per cent. above the Bank of England base rate.

The Society focuses its residential mortgage sales efforts on first-time buyers, subsequent purchasers moving home and the remortgage market. The Society is particularly keen to support its existing members and has introduced products to support first-time buyers. First-time buyers offer a significant potential for additional sources of income through the distribution of insurance and personal investment products. The proportion of new lending to first time buyers increased to 29 per cent. during the year ended 4 April 2022 (year ended 4 April 2021: 27 per cent.) with the Society's share representing approximately one in seven first time buyers.

To reduce the costs associated with early repayment of mortgages and to recover a portion of the costs of mortgage incentives, the Society imposes early repayment charges on some products. The early repayment charges generally apply to repayment made prior to the expiration of the fixed or tracker rate for the particular product.

Total gross mortgage lending in the year ended 4 April 2022 was £36.5 billion (2021: £29.6 billion) supported by a housing market that maintained significant momentum, even after the stamp duty holiday was concluded in September 2021. The Society and its subsidiaries' market share of gross lending was 11.8 per cent. (2021: 11.1 per cent.)<sup>6</sup>. Total mortgage net lending in the year was £7.1 billion (2021: £1.9 billion) which includes buy to let mortgage net lending of £2.4 billion (2021: £3.6 billion).

Total gross mortgage balances grew to £198.1 billion (2021: £191.0 billion). Strong buy to let mortgage lending resulted in the Society's buy to let and legacy mortgage balances growing to £43.7 billion (2021: £41.2 billion). Prime mortgage balances increased to £154.4 billion (2021: £149.8 billion). The Issuer remains committed to helping first time buyers onto the housing ladder and helped over 87,000 people into their first home (2021: 73,000) – equating to one in seven first time buyers (2021: one in seven), above the Issuer's share of the wider market. Importantly, the Issuer has worked to address the two main barriers to home ownership for first time buyers, with market-leading propositions that have helped improve affordability and reduced the pressures of saving for a deposit, while appropriately managing the risk for borrowers and the Society.

The Society's Helping Hand mortgage has enabled first time buyers to borrow more, up to 5.5 times their salary on 5 and 10 year fixed rate mortgages with a loan to value of up to 90 per cent., helping more people to realise their dream of home ownership. In May 2021, the Society was the first large mortgage lender to return to 95 per cent. loan to value lending without government support, helping those with smaller deposits whilst retaining competitive rates more broadly for members. Following a successful launch in April 2021, and in light of the good credit quality of members' applications, Helping Hand was extended to 95 per cent. loan to value in February 2022. The Society will continue to focus its propositions on solving the challenges faced by first time buyers, extending its support even further.

The average loan-to-value (**LTV**) of prime new business completed in the year ended 4 April 2022 has remained stable at 71 per cent. (year ended 4 April 2021: 71 per cent.). The average LTV of new business for buy to let also remained stable at 67 per cent. Higher than average demand in the housing market has driven up house prices over the period with the Nationwide House Price Index showing a 14.3 per cent. increase year-on-year. This has caused the average LTV as at 4 April 2022 to reduce to 52 per cent. (4 April 2021: 56 per cent.).

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<sup>6</sup> This information has been calculated by the Society based on internal information and information published by the Bank of England.

The Society believes that asset quality has remained strong as a result of its continued prudent approach to lending. The proportion of mortgage accounts three months or more in arrears has decreased to 0.34 per cent. as at 4 April 2022, which compares favourably with the UK Finance average of 0.83 per cent. as at the same date.

The table below shows the Society's residential mortgage loans which are three months or more in arrears as a percentage of its total residential mortgage loans as at each of 4 April 2022 and 2021 and the UK Finance average.

	As at 4 April	
	2022	2021
	<i>(percentages)</i>	
Prime.....	0.30	0.35
BTL and legacy .....	0.50	0.72
<b>Total</b> .....	<b>0.34</b>	<b>0.43</b>
UK Finance average .....	0.83	0.85

*Source: Audited financial statements for the years ended 4 April 2022 and 2021.*

In line with regulatory guidance, the arrears figures above do not take into account payment holidays that the Society has afforded to its borrowing members in the context of the Covid-19 pandemic. This approach has suppressed the impact of the pandemic on arrears data, and will continue to do so in the short term. The Society continues to monitor developments and updated regulatory guidance on the assessment of payment holidays and other forbearance measures in this context.

The Society utilises an automated credit scoring system to assist in minimising credit risk on residential mortgage lending. The Society's credit procedures for residential mortgage lending take into account the applicant's credit history, loan-to-value criteria, income multiples and an affordability calculation, or shock test, that tests the applicant's ability to service the loan at higher interest rates. For additional information regarding how the Issuer manages credit risk in connection with new lending, see risk factor 2.2 "*Credit risk*".

Unsecured retail banking products consists of loans that the Society makes to individuals that are not secured on real or personal property. The Society offers three different forms of unsecured consumer retail banking products: personal unsecured loans, credit card lending and current accounts with overdraft facilities.

There is a greater risk of loss on unsecured consumer lending than there is on residential mortgage lending because the Society has no security if the borrower defaults on the loan. Accordingly, unsecured consumer lending products bear higher interest rates than the Society's residential mortgage products. To manage this risk, it uses an automated credit scoring system that is designed to evaluate a borrower's ability to repay the loan. In addition, the Society assesses all unsecured consumer loans to ensure they remain affordable alongside any mortgage.

### ***Savings and Current accounts***

Member deposit balance growth of £7.7 billion to £178.0 billion as at 4 April 2022 (4 April 2021: £170.3 billion) represents growth in retail savings balances and current account credit balances of £4.6 billion and £3.0 billion respectively. This growth, across both savings and current account balances, was primarily driven by suppressed spending during the first half of the year as lockdown restrictions remained in place. Savings balance growth was further supported by a strong 2021 ISA season, enabled by the Issuer's competitive 2021 Member Exclusive Fixed Rate ISA product. In the latter half of the year, the Issuer increased its market share of account openings supported by the launch of a new current account switching incentive in August 2021. The Issuer's deposit stock

market share has remained stable at 9.4 per cent. (4 April 2021: 9.4 per cent.)<sup>7</sup>, with its market share of all current accounts increasing slightly to 10.3 per cent. in February 2022 (February 2021: 10.2 per cent.)<sup>8</sup>.

UK retail member deposits represented 65.3 per cent. of the Issuer's total liabilities and reserves as at 4 April 2022.

The Society provides a wide range of retail savings products that may be repayable on demand or on notice and which may pay a variable or fixed rate of interest. On most retail savings products, the Society determines variable interest rates at its discretion according to market conditions. Generally, the more restrictions on withdrawal of retail savings, the higher the rate of interest. Balances on all of the Society's notice deposit accounts are, by their terms, withdrawable on demand but, in some cases, subject to loss of interest.

The Society believes that the primary determinant for attracting retail savings is the interest rate offered to savers. As a mutual organisation, the Society typically sets higher interest rates on its retail savings products than those set by its main competitors. The Society gathers UK retail member deposits from a number of sources, chiefly from its branch network but also by mail and internet-based deposit accounts.

The UK retail savings market is highly competitive among building societies and banks, including those banks owned by insurance companies and retailers. This competition has increased the relative cost of retail funds, especially new retail funds.

The Society's retail business also manages a range of business savings accounts that are offered to UK-domiciled small- and medium-sized enterprises, including companies, housing associations, charities and educational organisations. The Society provides a wide range of savings products that may be repayable on demand or on notice and which may pay a variable or fixed rate of interest. On all business savings products, the Society determines variable interest rates at its discretion according to market conditions. Generally, the more restrictions on withdrawal of business savings, the higher the rate of interest.

Switching incentives helped grow the number of current accounts as at 4 April 2022 to 8.8 million (4 April 2021: 8.5 million), increasing the Issuer's market share to 10.3 per cent. (February 2021: 10.2 per cent.)<sup>8</sup>.

### ***Consumer banking***

Consumer banking balances have increased to £4.7 billion as at 4 April 2022 (4 April 2021: £4.4 billion). As at 4 April 2022, consumer banking comprises personal loan balances of £2.9 billion (4 April 2021: £2.8 billion), credit card balances of £1.5 billion (4 April 2021: £1.4 billion) and overdrawn current account balances of £0.3 billion (4 April 2021: £0.2 billion). The increase in balances has been driven by the gradual lifting of pandemic restrictions across the period increasing the market demand for consumer credit.

### ***Other retail services***

The Society's other retail services principally comprise insurance business and investment business.

## **Insurance**

In conjunction with the Society's core business of providing residential mortgage loans and retail savings, the Society develops and markets insurance products branded with its name that are underwritten by third-party insurers and distributes insurance products of other companies.

The insurance products that the Society markets are:

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<sup>7</sup> This information has been calculated by the Society based on internal information and information published by the Bank of England.

<sup>8</sup> This information has been calculated by the Society based on internal information and information provided by CACI Limited's Current Account and Savings Database.

- buildings and contents insurance, which it markets to its residential mortgage customers and non-mortgage customers;
- landlord insurance;
- term income protection insurance, replacing up to 60 per cent. of gross income in case of unemployment; and
- personal accident insurance.

The Society typically uses leading insurers as third-party underwriters for these insurance products. The Society receives a commission and, in some cases, participates in the profits, but not the losses, from third-party underwritten insurance products that it markets. The Society generally markets its insurance products to new and existing customers, and it is the Society's policy to offer insurance products at competitive prices and with more comprehensive coverage than those products generally offered by its main competitors.

### **Distribution network**

The Society's integrated and diversified distribution network allows its customers to choose how and when to undertake their transactions with it and has enabled it to expand its business while controlling costs. The distribution network helps the Society to achieve volume growth principally in residential mortgage lending and supports its retail funding activities. Developments in the network have focused on cost efficiency and meeting the needs of customers who are increasingly prepared to transact business by the internet, telephone and mail.

The Society distributes its products primarily through:

- branches;
- call centres;
- mail;
- internet and mobile banking; and
- intermediaries.

The Society also maintains a network of ATMs.

### ***Branches***

The branch network of the Society continues to be a major source of its mortgage lending and retail funding. As at 4 April 2022, it had approximately 625 branches of Nationwide Building Society in the UK.

The Society's goal is to utilise its branch network efficiently. All of the Society's branches market its residential mortgage, retail savings, personal lending, personal investment and insurance products. The Society continues to make significant investment in transforming its products and delivery channels through the implementation of new systems and organisational structures and to meet consumer expectations of digital banking.

### ***Call centres***

The Society's telephone call centres are open 24 hours a day to service customers and receive calls from potential customers that are interested in its products. In addition, the Society uses telemarketing to supplement its mortgage, insurance and personal loan marketing.

### ***Internet and mobile banking***

The Society first launched an internet banking service in 1997 and has continued to update the service in line with technological advances and increasing customer expectations. The Society's website allows customers to transact on their accounts and apply for a broad range of the Society's products online. The Society also allows customers to access and carry out transactions on their accounts using the Society's mobile and tablet applications.

### ***Intermediaries***

A substantial amount of the Society's mortgage sales are introduced to it by third-party intermediaries. Intermediaries range from large UK insurance companies to small independent mortgage advisers. The Society remunerates intermediaries for introducing mortgage business.

### ***ATMs***

The Society's customers have access to its own network of ATMs, as well as access to ATMs in the UK through the LINK network and world-wide through the Visa network.

### **Commercial business**

The Society's commercial portfolio comprises loans which have been provided to meet the funding requirements of RSL, commercial real estate investors (**CRE**) and project finance initiatives (**PFI**). As at 4 April 2022, this portfolio accounted for 3 per cent. of total loans and advances to customers. Following a strategic review of the commercial lending business, the Society concluded that the CRE and PFI lending is no longer a good fit with its core purpose. The strategy for CRE and PFI lending is now to hold and actively manage the portfolios to maturity in line with contractual terms.

The table below shows the amount and types of loans in the commercial lending portfolio as at 4 April 2022.

	<b>As at 4 April 2022</b>	
		(percentage of total commercial loans)
	(£ billion)	
Registered social landlords .....	4.3	70.6
Commercial real estate .....	0.6	9.8
Project finance .....	0.6	9.8
<b>Total</b> .....	<b>5.5</b>	<b>100</b>

RSL loans are made to UK registered social landlords, are secured on residential property and differ significantly from other loans secured on real property. UK registered social landlords provide affordable housing supported by Government grants. This portfolio historically has carried a lower risk than the Society's other commercial lending activities, and there are currently no arrears of three months or more in the RSL portfolio. To date, the Society has not needed to raise any loss provisions against this portfolio.

CRE portfolio is well diversified by industry type and by borrower, with no significant exposure to development finance.

PFI loans are secured on cash flows from Government-backed contracts such as schools, hospitals and roads under the UK private finance initiative legislation. The Society has not suffered any losses on this lending and there are currently no arrears of three months or more.

## **Head office functions**

The Society's head office functions comprise the executive management and the treasury function together with a range of support functions such as legal and secretariat services, human resources, strategic planning and external relations, finance, risk management, property services and internal audit.

The treasury division centrally manages liquid asset portfolios as well as most of the financial risk exposures and is responsible for wholesale funding activities.

## **Recent developments**

The changing economic and political landscape, and particularly the cost-of-living crisis and high inflation, has led to households being under financial pressure for some time. Since September 2022, there have been rising concerns about mortgage refinancing costs, and, for tenants, rising rents. The Society has, over the course of the current financial year, rolled out a number of measures to respond to these concerns. Some of the measures announced include:

- introducing cost-of-living support measures for members, with a dedicated freephone hotline, as well as in-branch experts and financial health checks, for members experiencing money worries;
- extending its branch promise, meaning that the Society will not leave any town or city in which it is based without a branch until at least 2024 (previously 2023);
- resuming work on the Society's sustainable housing project, Oakfield, in Swindon, comprising 239 homes built to high environmental standards, including the fitting of heat pumps, and expected to be rated EPC A (which the Society hopes will be used as a blueprint for future sustainable homes);
- committing to providing cost-of-living support to more than 11,000 colleagues, with a one-off payment of £1,200 for those earning £35,000 or less, on top of the annual pay review; and
- launching a market leading £200 current account switching incentive, for customers who switch their account to one of the Society's three main current account products.

## **Regulatory environment**

The Society's principal regulators are the PRA and the FCA.

The PRA has three statutory objectives: (i) to promote the safety and soundness of the firms which it supervises; (ii) with respect to insurers, to contribute to the securing of an appropriate degree of protection for policyholders; and (iii) a secondary objective to facilitate effective competition. The PRA's regulatory and supervisory approach incorporates three key characteristics: to take a judgement-based approach, a forward-looking approach and a focused-approach.

The FCA has a strategic objective to ensure that the relevant markets function well. In support of this, the FCA has three operational objectives: to secure an appropriate degree of protection for consumers; to protect and enhance the integrity of the UK financial system and to promote effective competition in the interests of consumers.

The Society operates in a heavily regulated environment, which continues to evolve. Certain elements of the regulatory environment which continue to attract regulatory focus are set out below; however, this does not purport to be a comprehensive overview of the regulatory regimes in which the Society operates.

## ***Operational Resilience***

The PRA has indicated that operational resilience is a high priority for the PRA, and an area on which the financial services industry needs to focus and improve.

The Society's regulators require firms and Financial Market Infrastructures (**FMIs**) to identify their important business services that, if disrupted, could cause intolerable levels of harm to consumers or market integrity, threaten the viability of firms or cause instability in the financial system. Impact tolerances should be set for each important business service and firms and FMIs should take actions to be able to remain within their impact tolerances through a range of severe but plausible disruption scenarios. Firms and FMIs are expected to identify and document the people, processes, technology, facilities, and information that support their important business services. The policy requires boards and senior management to approve the important business services identified for the firms and the impact tolerances set. Boards are expected to ensure they have the appropriate management information, adequate knowledge, skills and experience to provide constructive challenge to senior management and informed decisions that have consequences for operational resilience.

The FCA has also published rules and guidance which require that:

- firms must have identified their important business services, set impact tolerances for the maximum tolerable disruption and carried out mapping and testing to a level of sophistication necessary to do so. Firms must also have identified any vulnerabilities in their operational resilience; and
- as soon as possible after 31 March 2022, and no later than 31 March 2025, firms must have performed mapping and testing so that they are able to remain within impact tolerances for each important business service. Firms must also have made the necessary investments to enable them to operate consistently within their impact tolerances.

The Society achieved compliance on 31 March 2022 by completing and submitting its first regulatory self-assessment to the FCA and PRA. Following this first milestone, the Society is now required to mature and develop its operational resilience by 31 March 2025. The Society recently refreshed its operational resilience strategy for the next 3 years in order to meet this second milestone, which has now been approved by its Board of Directors.

The Financial Policy Committee (**FPC**) has also undertaken work in this area, with a particular focus on cyber risk. The FPC will ask firms to conduct cyber stress testing, which is likely to take place later in this financial year or early in the next, based on the frequency of previous tests. The Operational Resilience Working Group of the Basel Committee on Banking Supervision (the **Basel Committee**) has also focused on cyber resilience, and has stated that financial institutions' cyber resilience processes should remain vigilant in order to identify and protect vulnerable systems, and should be able to detect and respond to cyber attacks and help the institution recover from them. The Basel Committee has published 'Principles for operational resilience' as well as 'Principles for the sound management of operational risk'.

### ***Impact of Brexit***

On 31 January 2020, the UK ceased to be a member of the EU and the EEA. On 24 December 2020, an agreement in principle was reached in relation to the Trade and Cooperation Agreement, to govern the future relations between the EU and UK following the end of the transition period. The Trade and Cooperation Agreement does not, however, create a detailed framework to govern the cross-border provision of regulated financial services from the UK into the EU and from the EU into the UK.

The Trade and Cooperation Agreement is accompanied by the non-binding Joint Declaration committing the UK and the EU to cooperation in matters of financial regulation such as requirements for reporting under MiFID II, certain MAR requirements and the UK binding technical standards on strong customer authentication among others. The Joint Declaration was facilitated by a memorandum of understanding, agreed on 26 March 2021, establishing the framework for this cooperation.



Following the end of the transition period, the EUWA provided that certain existing EU legislation which had direct effect in the UK was retained in UK law as well as existing UK laws which implemented EU obligations. The Government was given powers to amend this retained EU legislation so that it works effectively when the UK left the EU. The Government has used this power to make numerous statutory instruments which amended retained EU financial services legislation. The Government's intention was that the same rules and laws apply at the point the transition period ends, as far as possible, but with the necessary amendments to reflect the UK's position outside the EU.

The Government has also conferred on the UK financial regulators (that is, the FCA, the Bank of England and the PRA) responsibility for amending and maintaining certain EU-binding technical standards which were retained in UK law at the end of the transition period. These technical standards specify detailed requirements for the purposes of various EU regulations and directives. In addition, the FCA and the PRA have amended their rules and regulations to ensure that these are consistent with the changes that the Government made to retained EU law and so that it still works effectively following the end of the transition period.

Now that the transition period has ended, the Society's preparations have allowed it to comply with the new rules and regulations which took effect from 1 January 2021. Changes implemented within the Society as a result of Brexit were spread across several organisational areas with primary activity occurring within the Product teams.

Under the terms of the EUWA, EU legislation that was adopted but did not apply prior to the end of the transition period (such as provisions being phased in under the EU Banking Reform Package, as defined below) and legislative proposals that were in negotiation but not adopted before the end of the transition period are out of scope of the EUWA. This means these legislative measures that were not a requirement at the end of the transition period do not and will not apply in the UK unless these are separately implemented by the Government or regulators.

The continuing effects of the UK's departure from the EU are difficult to predict and there remains both short-term and long-term political and economic uncertainty around the departure that may have a negative impact on the UK economy, affecting its growth. Accordingly, no assurance can be given that the UK's withdrawal from the EU will not adversely affect the Society, its financial condition and results of operations and/or the market value and/or the liquidity of the Notes.

### ***Market Competition***

In light of certain concerns around pricing in the cash savings and insurance market as well as mortgages for existing customers versus new customers (the so-called "loyalty penalty"), the CMA and FCA have conducted a number of investigations and issued several recommendations.

On 22 September 2020, the FCA published the final report of its market study, proposing significant reform of these markets through measures which seek to enhance competition, ensure consumers will receive fair value, and increase trust in these markets. The reforms proposed by the FCA include that, when a customer renews their home or motor insurance policy, the relevant customer should pay no more than they would if they were new to the provider through the same sales and channels. The FCA also issued a consultation paper considering other new measures to further boost competition and deliver fair value to all insurance customers. These include proposed new product governance rules, additional reporting requirements and rules on making it simpler to stop automatic renewals across all general insurance products. The consultation closed on 25 January 2021. On 23 March 2021, the FCA published a statement on the consultation noting that, although it had not yet reached a final decision on what rule changes it would make, it expected firms to implement the systems and control and product governance changes by September 2021, and pricing and auto-renewal remedies by the end of 2021.

In addition, the UK regulators have in recent years implemented an initiative referred to as 'Open Banking', the aim of which is to create more transparency and fairness in the UK banking and financial services market through

greater competition and innovation. Open Banking requires financial institutions and account servicing payment service providers to provide registered third party organisations with account information to be able to initiate payment where the consent of the customer or member is provided, and also to make public and openly share their product information, as well as customer satisfaction scores and other service level indicators. This makes it possible for consumers to share their account information more easily with third parties online, allows third parties to initiate payments directly from a person's account as a bank transfer as an alternative to credit or debit card payments, and enables customers or such third party providers to more easily compare products offered by different institutions. This offers the prospect of an enhanced banking experience for the customer – for example, third party providers could offer comparison and switching services to help customers identify the best financial products for them and, more recently introduced, enable customers to automate management of their finances to some degree, such as authorising third party providers to transfer their funds between their accounts on a regular and ongoing basis.

### ***Money Laundering***

The Society is subject to a number of measures targeted at preventing financial crime (including anti-money laundering (AML) and counter-terrorism financing (CTF) measures). The requirements continue to evolve, with recent years having seen several iterative updates of EU and UK laws targeting improving AML and CTF processes (including illicit activities related to cryptocurrencies). Following the UK's withdrawal from the EU, there is increased scope for divergence between the UK and EU regimes in the medium term.

### ***Capital adequacy, prudential supervision and resolvability***

The frameworks applicable to the Society for capital adequacy, prudential supervision and resolving failing financial institutions have been significantly overhauled in recent years, and continue to evolve. Certain elements of these regimes are outlined below.

#### ***Development of the prudential framework***

Following the global financial crisis which commenced in 2007/8, the Basel Committee issued guidance on a number of fundamental reforms to the regulatory capital framework (such reforms are collectively referred to as **Basel III**), including additional capital requirements, higher capital ratios, more stringent eligibility requirements for capital instruments, leverage ratio requirements and liquidity requirements. The implementation of these reforms in the EU (and therefore the UK) commenced in 2014, with certain elements being phased in over time.

The Basel Committee has continued to progress its work on prudential requirements, with key additional reforms (which were finalised between 2010 and 2017, and are often referred to as **Basel 3.1**) including:

- a revised standardised approach for credit risk, to improve the robustness and risk sensitivity of the existing approach;
- revisions to the internal ratings-based approach for credit risk, where the use of the most advanced internally modelled approaches for low-default portfolios will be limited;
- revisions to the credit valuation adjustment (CVA) framework, including the removal of the internally modelled approach and the introduction of a revised standardised approach;
- a revised standardised approach for operational risk, which will replace the existing standardised approaches and the advanced measurement approaches;
- revisions to the measurement of the leverage ratio and a leverage ratio buffer for global systemically important banks (G-SIBs), which will take the form of a Tier 1 capital buffer set at 50 per cent. of a G-SIB's risk-weighted capital buffer; and

- an aggregate output floor, which will ensure that banks' risk-weighted assets (**RWAs**) generated by internal models are, upon full implementation after a transitional period, no lower than 72.5 per cent. of RWAs as calculated by the Basel III framework's standardised approaches. Banks will also be required to disclose their RWAs based on these standardised approaches.

Work is ongoing in the EU and the UK to implement these Basel 3.1 reforms, with the implementation of certain of the reforms being delayed due to the Covid-19 pandemic. In particular, the RWA output floor reforms are now expected to be implemented in the EU and the UK over a five-year transitional period commencing on 1 January 2025. In the meantime, progress continues to be made in other areas, and the following changes (amongst others) were implemented in the UK with effect from 1 January 2022:

- revisions to the standardised approach for counterparty credit risk;
- a binding net stable funding ratio (**NSFR**) (which requires credit institutions and systemic investment firms to finance their long-term activities (assets and off-balance sheet items) with stable sources of funding (liabilities) in order to increase banks' resilience to funding constraints); and
- introduction of disclosures for Interest Rate Risk in the Banking book into Pillar 3. This refers to the current risk to capital and earnings from adverse movements in interest rates that impact the banking book positions. When interest rates change, the present value and timing of future cash flows also alters.

Following the UK's withdrawal from the EU, the UK authorities are pursuing proposals to adapt the EU prudential legislation initially retained as UK law to better suit the UK's regulatory objectives, and to move a large part of the prudential requirements into the UK regulators' rulebooks, to provide additional flexibility. This is expected to lead to increased regulatory divergence between the EU and UK regimes over time.

#### *Development of the resolvability framework*

Alongside the prudential regime, considerable work has been done with the intention of ensuring that financial institutions which are failing or likely to fail can be resolved while minimising disruption to EU and UK financial services. These include developments with respect to resolution powers afforded to supervisory authorities to resolve a failing institution, as well as a focus on firms having the resources required to effectively utilise these powers (i.e. MREL and, for global systemically important financial institution, a total loss absorbing capacity (**TLAC**) standard). See the risk factors section entitled "*The UK Banking Act 2009 confers substantial powers on a number of UK authorities designed to enable them to take a range of actions in relation to UK deposit-taking institutions which are considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer or any Notes could materially adversely affect the value of any Notes and/or the rights of Noteholders*" and "*The Issuer is subject to wide-ranging regulatory action in the event that it is considered likely to fail and its failure poses a threat to the public interest*" above, and the section "*MREL and resolution strategy*" below, for further information.

The Bank of England and PRA have also established rules and policy in relation to the "Resolvability Assessment Framework" (**RAF**), under which the Bank of England and PRA will assess the readiness of UK banks and building societies for resolution. The framework is set out in a Bank of England Statement of Policy (**SoP**) and the Resolution Assessment part of the PRA Rulebook (together with a PRA Supervisory Statement SS4/19). The Bank of England SoP only applies to UK firms, like the Society, with a bail-in or partial transfer resolution strategy.

The SoP specifies three "resolvability outcomes" which relevant firms must meet – (i) having adequate financial resources in the context of resolution, (ii) being able to continue to do business through resolution and restructuring, and (iii) being able to communicate and coordinate effectively within the firm and with authorities and markets so that resolution and subsequent restructuring are orderly. The new Resolution Assessment part of

the PRA Rulebook applies to UK banks and building societies with £50 billion or more in retail deposits (so-called **Major Firms**), and requires them to assess their preparations for resolution and submit reports of their assessment to the PRA every two years. The Society is subject to this requirement and submitted its inaugural assessment in October 2021.

In addition, the Bank of England will make public statements regarding each Major Firm's resolvability; these may highlight perceived shortcomings where the Bank of England considers that the firm in question has more work to do to be resolvable. The Bank of England published its first assessment of the eight major UK banks' preparations for resolution under the RAF on 10 June 2022. The Bank of England identified one area of enhancement for the Society with respect to achieving the adequate financial resources outcome, related to funding in resolution capabilities in respect of the production of resolution-specific liquidity analysis. The Bank of England indicated it will continue to engage with the Society on this issue. The Bank of England continues to develop its policies regarding its approach to assessing resolvability and ensuring operational continuity in resolution. Resolution continues to be a highly complex and important area for the UK regulators. All of the UK's largest firms were required to meet the resolution outcomes by 1 January 2022, with the exception of an updated policy on Operational Continuity in Resolution, which has an implementation date of 1 January 2023.

#### *The Society's capital, leverage and MREL requirements*

##### Risk-based capital requirements

Under the prudential framework as at the date of this Base Prospectus, the Society is required to hold a minimum amount of regulatory capital equal to 8 per cent. of its RWAs (the **Pillar 1 requirement**), plus certain additional CET1 capital buffers (the **buffer requirement**). Certain buffer requirements may be extended to credit institutions designated as 'global systemically important institutions' (**G-SIIs**) or 'other systemically important institutions' (**O-SIIs**). The Society is not presently designated as a G-SII but has been designated as an O-SII. The PRA has indicated that the O-SII buffer will be used to reflect an institution's domestic and global systemic importance, while a separate Systemic Risk Buffer (**SRB**) will be used to prevent and mitigate macroprudential or systemic risks not otherwise covered by Pillar 1 requirements or the O-SII buffer.

The Society's total buffer requirement, as at the date of this Base Prospectus, is equal to 3.5 per cent. of RWAs (comprised of a capital conservation buffer of 2.5 per cent., a counter-cyclical buffer of 0 per cent. and an O-SII buffer of 1.0 per cent.). In December 2022, the PRA expects to set an O-SII buffer consistent with its statement of policy ('*The PRA's approach to the implementation of the systemic risk buffer*') and the FPC's framework for the systemic risk buffer. In doing so, the PRA will take account of the evolution in firms' balance sheets in response to Covid-19 and the extent to which they are temporarily inflated. The PRA is required to review O-SII buffer rates once a year, but barring unforeseen changes in circumstances, the 2022 review is not expected to result in any changes.

In addition, the PRA may impose additional individual capital requirements on the Society, which may comprise an add-on to the Pillar 1 requirement (the **Pillar 2A requirement**) to address risks to the Society which the PRA considers are not adequately covered by Pillar 1 requirements, and/or an add-on to the buffer requirement (the **PRA buffer**) to provide for additional capital buffers as a mitigation against future possible stress periods. The PRA presently requires that the level of the PRA buffer is not publicly disclosed. The Society's Pillar 2A requirements must be met with at least 56.25 per cent. CET1 capital, at least 75 per cent. Tier 1 capital and not more than 25 per cent. Tier 2 capital. Its PRA buffer requirements must be met solely with CET1 capital.

The Society may also decide to hold additional amounts of capital, as part of its risk and growth strategies.

As at 4 April 2022, the Society's CET1 ratio was 24.1 per cent. and its total regulatory capital ratio was 31.8 per cent.

##### Leverage-based requirements

As of 1 January 2022, the leverage ratio framework applicable in the UK was simplified into a single leverage exposure measure. This includes mandatory leverage requirements for in-scope firms (such as the Society), as well as a PRA supervisory expectation with respect to the risk of excessive leverage for firms not subject to a minimum requirement.

The leverage ratio framework is intended to mirror aspects of the risk-weighted capital requirement. The calculation determines a ratio based on the relationship between Tier 1 capital and total exposures (i.e. non-risk-weighted assets), including off-balance sheet items. The leverage ratio does not distinguish between unsecured and secured loans, nor recognise the ratio of loan to value of secured lending. As at the date of this Base Prospectus, the leverage ratio requirement is set at 3.25 per cent. of exposures excluding central bank reserve exposures. At least three-quarters of the leverage ratio requirement must be met with CET1 capital and up to one-quarter may be met with Additional Tier 1 capital.

In addition, the leverage ratio framework includes two additional buffers that are to be met using CET1 capital only: an Additional Leverage Ratio Buffer (**ALRB**), applying to the largest UK banks and building societies (including the Society) and set at 35 per cent. of the relevant firm's G-SII or O-SII RWA-based buffer, and a macro-prudential Countercyclical Leverage Buffer (**CCLB**), which is set at 35 per cent. of the corresponding risk-weighted countercyclical buffer (and rounded to the nearest 0.1 per cent., with 0.05 per cent. being rounded up).

The Society's leverage ratio was 5.4 per cent. at 4 April 2022. Given the nature of the Society's balance sheet, which is underpinned by residential mortgage assets with a low risk profile (as demonstrated by a low level of arrears compared to the industry average), the Society's current binding capital constraint is based on leverage-based (rather than risk-based) capital requirements. Based on the Society's current understanding of the proposed changes to risk-weights, and subject to final implementation, the Society currently expects that the leverage ratio will continue to be its binding capital constraint in the near-term.

#### RWA floors and IRB modelling

As noted above, the Basel 3.1 reforms include certain RWA output floor reforms, which are now expected to be implemented in the EU and the UK over a five-year transitional period commencing on 1 January 2025.

In addition, as of 1 January 2022, the PRA has implemented an exposure weighted average risk weight of at least 10 per cent. for all UK residential mortgage exposures to which a firm applied an IRB approach (excluding exposures classified as in default). The PRA considered, but elected against, implementing a minimum risk-weight expectation for individual mortgage exposures. It has, however, indicated that it will consider carefully the calibration of the incoming probability of default (**PD**) and loss given default (**LGD**) parameter floors for mortgage exposures as part of the PRA's implementation of the Basel 3.1 standards.

These reforms represent a re-calibration of regulatory requirements with no underlying change in the capital resources the Society holds or the risk profile of its assets. The final impacts are subject to uncertainty for future balance sheet size and mix, and the final detail of some elements of the regulatory changes remain at the PRA's discretion. As the models developed by the Society in response to the new policy statements are yet to be approved by the PRA, a model adjustment has been made to ensure outcomes are consistent with the revised IRB regulations. The impact of this adjustment was a significant increase in RWAs. In line with other industry participants, the Society continues to work with the PRA on the precise calibration of the revised IRB models. However, organic earnings through the transitional period are expected to mitigate the impact such that the Society's reported CET1 ratio will in practice remain well in excess of the *pro forma* levels imposed by these changes, and the Society expects that leverage requirements will remain the Society's binding capital constraint based on its latest projections. Whilst the Society currently expects that the leverage ratio will continue to be its binding Tier 1 capital constraint in the near-term, it is possible that these changes will, over time, result in risk-weighted capital requirements becoming the binding constraint.

## MREL and resolution strategy

MREL requirements have been introduced as part of a regime designed to make it easier to manage the failure of banks and building societies in an orderly way, without reliance on taxpayer bail-outs. These rules require all institutions to meet an individual MREL requirement by issuing own funds (capital instruments) and other 'eligible liabilities' which are available to be bailed-in (i.e. written down or converted to equity on the occurrence of certain trigger points), calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities.

MREL requirements are split into two elements: firstly, a loss absorption amount, to cover losses up to and in resolution, based on a firm's minimum going concern capital requirement; and secondly, a recapitalisation amount, intended to enable the firm to continue as a going concern post-resolution and to access funds in the capital markets (and accordingly the recapitalisation amount is likely to be at least equal to the minimum going concern capital requirement).

The Bank of England has set the Society an indicative MREL requirement of 6.5 per cent. of its leverage exposure. In addition to its MREL requirement, the Society must also hold applicable leverage ratio buffers of 0.35 per cent. of its leverage exposure. Together the MREL requirement and applicable buffers represent the Society's "loss-absorbing capacity" requirement. As at 4 April 2022, the Society's MREL resources were equal to 8.4 per cent. of the leverage exposure.

The preferred resolution strategy for the Society has been set by the Bank of England as "bail-in", reflecting the size of the Society and consequential risks of an insolvency process. 'Bail-in' would involve the write down or conversion to equity instruments (such as core capital deferred shares (CCDS)) of the liabilities of the Society, and would be expected to result in the write down or conversion of all or a large part of the Society's own funds and other eligible liabilities (and could in addition result in the write down or conversion of other, more senior-ranking liabilities of the Society). Notwithstanding this, the actual approach taken, should the Society require resolution, will depend on the circumstances at the time of a failure, and all available options would be considered by the Bank of England.

## Stress Tests

Since 2014, the Bank of England has conducted annual stress tests of the UK banking system. The annual cyclical scenario (ACS) includes all major UK banks and building societies with total retail deposits equal to, or greater than, £50 billion on an individual or consolidated basis, at a firm's financial year-end date. This group includes the Society.

In light of the Covid-19 pandemic, in March 2020 the Bank of England cancelled the 2020 bank stress tests and instead undertook desktop analysis of the resilience of the UK banking sector to the unfolding stress. With the pandemic continuing into 2021, the Bank of England issued their solvency stress test to assess whether capital buffers of participants were large enough to withstand how the prevailing stress could unfold. This stress further extended the economic and financial shocks experienced during the pandemic to date. The Society's results demonstrated that it would remain profitable, with capital levels well above regulatory requirements (common equity tier 1 capital falling to 16.9 per cent. at its lowest point, materially above the hurdle rate of 8.4 per cent. and leverage ratio falling to 5.0 per cent. at its lowest point). In the scenario, full distributions continued to be made on all Tier 1 capital instruments.

The 2022 stress test process was announced by the Bank of England in September 2022, with results expected to be published in summer 2023.

## Post-Brexit changes to the UK prudential and resolution regimes

Following the UK's withdrawal from the EU, the UK authorities have elected to diverge from the EU prudential and resolution frameworks in certain respects. For example, the following provisions of BRRD do not apply in the UK:

- Article 1(6) of BRRD II, which inserted a new Article 16a in BRRD to provide the resolution authority with the power to prohibit an entity from distributing more than the 'maximum distributable amount' relating to the minimum requirement for own funds and eligible liabilities (**M-MDA**), where the entity fails to meet the combined buffer requirement, subject to certain conditions;
- Article 1(20) of BRRD II, which introduced a new Article 48(7) of BRRD, making changes to priority of debts in insolvency;
- Article 1(21) of BRRD II, which updated Article 55 of BRRD on the contractual recognition of bail-in; and
- Article 1(30) of BRRD II, which amended the existing in-resolution moratorium power under Article 69 of BRRD.

Furthermore, the PRA has confirmed it intends to make further changes to the prudential regime, including changes to payment restrictions based on maximum distributable amount (**MDA**) calculations in order to improve firms' ability to use their combined buffers as intended when subject to a severe but plausible stress. The proposed changes include (i) removing the restriction which precludes firms from making distributions that would cause their CET1 levels to fall into the combined buffer, and (ii) amending the definition of the MDA to include certain profits already recognised as CET1 over the preceding four calendar quarters, net of distributions.

In addition, the UK is proposing to transfer much of the EU prudential framework retained as law following the UK's withdrawal from the EU into the UK regulators' rulebooks, to improve flexibility. Following a consultation on the optimal structure for UK financial services post-Brexit, the Financial Services and Markets Bill (the **FSMB**) was introduced to Parliament in July 2022 and aims to implement the outcomes of the government's future regulatory framework review and to make changes to update the UK regulatory regime. The FSMB proposes that primary responsibility for regulation will be delegated to the UK regulatory authorities, subject to the oversight of Parliament. The FSMB will establish a framework to revoke EU law relating to financial services, and will enable HM Treasury, the FCA and PRA to replace it with legislation and regulatory rule sets to deliver a comprehensive FSMA model of regulation.

Accordingly, divergence between the EU and UK prudential regimes may widen over time.

## **Board of Directors**

The business is under the control of the Society's Board of Directors. Each director is elected annually by the members. The executive directors are the Chief Executive and the Chief Financial Officer. All other directors are non-executive directors. The business address of all of the directors and officers is Nationwide House, Pipers Way, Swindon SN38 1NW, England.

Under the Society's rules, the Board of Directors must consist of not less than eight directors of whom not less than five must be present at a Board meeting to form a quorum.

No potential conflicts of interest exist between any duties to the Society of the persons on the Board of Directors and their private interests or other duties.

## **Recent Management and Director Changes**

Gillian Riley joined the Society as a Non-Executive Director on 1 April 2022.

Joe Garner was Chief Executive Officer until 1 June 2022 and Debbie Crosbie assumed the role of Chief Executive Officer on 2 June 2022.

Tim Tookey stepped down as a Non-Executive Director at the Society's Annual General Meeting held on 14 July 2022.

On 28 September 2022, the Society announced that Mai Fyfield will retire from the Society at the Annual General Meeting in July 2023. It is expected that Tracey Graham will assume the role of Remuneration Committee Chair from Mai Fyfield in January 2023, subject to regulatory approval.

The following table presents information with respect to directors at the date of this Base Prospectus:

<b>Name</b>	<b>Age (at 4 April 2022)</b>	<b>Position</b>	<b>Other Directorships</b>
Debbie Crosbie	52	Chief Executive Officer	SSE plc
Chris Rhodes	59	Chief Financial Officer	Arkose Funding Limited AHN1 Limited Derbyshire Home Loans Limited E-Mex Home Funding Limited Jubilee Mortgages Limited NBS Ventures Management Limited FN1 LBS Mortgages Limited Nationwide Housing Trust Limited Nationwide Syndications Limited Silverstone Securitisation Holdings Limited The Mortgage Works (UK) plc UCB Home Loans Corporation Limited
Mai Fyfield	52	Non-Executive Director	ASOS plc BBC Commercial Holdings Limited Roku Inc Football Association, Premier League Limited
Kevin Parry	60	Chairman	Daily Mail and General Trust plc KAH Parry Limited The Royal London Mutual Insurance Society Limited
Gunn Waersted	67	Non-Executive Director	Petoro AS Telenor ASA Lukris Invest AS Fidelity International (Bermuda) Obton AS
Albert Hitchcock	57	Non-Executive Director	Pureprofile Limited
Philip Rivett	66	Non-Executive Director	Standard Chartered plc Standard Chartered Bank
Tamara Rajah	40	Non-Executive Director	Live Better With Limited Dot London Domains Limited



<b>Name</b>	<b>Age (at 4 April 2022)</b>	<b>Position</b>	<b>Other Directorships</b>
			London & Partners Limited London & Partners Ventures Limited
Debbie Klein	53	Non-Executive Director	
Alan Keir	63	Non-Executive Director	Majid Al Futtaim Sumitomo Mitsui Banking Corporation
Gillian Riley	54	Non-Executive Director	St Michael's Hospital Foundation Tangerine Bank Roynat Capital Inc.
Tracey Graham	56	Non-Executive Director	Ibstock plc Close Brothers Group plc DiscoverIE plc Link Scheme Ltd

## TAXATION

### UNITED KINGDOM TAXATION

The comments below, which are of a general nature, are a summary of the Issuer's understanding of current United Kingdom tax law as applied in England and Wales and published HM Revenue and Customs practice (which may not be binding on HM Revenue and Customs) relating to certain aspects of the United Kingdom withholding tax treatment at the date hereof in relation to payments of interest (as that term is understood for United Kingdom tax purposes) in respect of the Notes. They do not deal with any other United Kingdom taxation aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are the absolute beneficial owners of their Notes and Coupons and do not apply to certain classes of person (such as dealers and persons connected with the Issuer).

Prospective holders of Notes should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective holders of Notes who may be liable to tax in a jurisdiction other than the United Kingdom are strongly advised to consult their own professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions). The comments assume that no security will be created for the benefit of the Notes, that there will be no substitution of the Issuer and do not address the consequences of such substitution (notwithstanding that such substitution is permitted by the terms and conditions of the Notes), that the Issuer will not issue any Notes from or through any branch situated outside the United Kingdom and that the Issuer will remain a Building Society within the meaning of the Income Tax Act 2007. Noteholders who are in any doubt as to their tax position should consult their professional advisers.

#### United Kingdom Withholding Tax on Payments of Interest on the Notes

- (a) Senior Preferred Notes, Senior Non-Preferred Notes and Subordinated Notes which carry a right to interest will constitute **“quoted Eurobonds”** provided that they are and continue to be listed on a “recognised stock exchange” within the meaning of section 1005 of the Income Tax Act 2007 (the **ITA**). The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) and admitted to trading on the London Stock Exchange. Securities which are to be listed on a stock exchange other than the London Stock Exchange will satisfy this requirement if they are officially listed in the relevant country in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on a recognised stock exchange in that country. Provided the Senior Preferred Notes, Senior Non-Preferred Notes and Subordinated Notes are and continue to be quoted Eurobonds, payments of interest on such Notes may be made without withholding or deduction for or on account of United Kingdom tax.
- (b) In the case of Deposit Notes, interest may be paid without withholding or deduction on account of United Kingdom income tax if such Notes constitute “qualifying certificates of deposit” or “qualifying uncertificated eligible debt security units” within the meaning of sections 985 and 986 ITA 2007 respectively.
- (c) Deposit Notes will be **“qualifying certificates of deposit”** within the meaning of section 985 ITA 2007 provided they relate to a deposit of money, they are and continue to be in bearer form and they satisfy the following conditions:
  - (i) they recognise an obligation to pay the holder a stated principal amount;

- (ii) the amount payable by the Issuer thereunder, exclusive of interest, is not less than £50,000 (or, for a deposit denominated in foreign currency, not less than the equivalent of £50,000 at the time when the deposit was made); and
- (iii) the obligation of the Issuer to pay that amount arises after a period of not more than five years beginning with the date on which the deposit was made.

Deposit Notes will be “**qualifying uncertificated eligible debt security units**” if:

- (i) they are “uncertificated” eligible debt security units (within the meaning of regulation 3(1) of the Uncertificated Securities Regulations 2001); and
  - (ii) the issue of the units corresponds to the issue of a certificate of deposit in bearer form satisfying the conditions in (i) to (iii) above.
- (d) In other cases, if the Notes are capable of being listed on a “recognised stock exchange” at the time the interest on the Notes becomes payable an amount must generally be withheld from such payments on account of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

#### **Other Rules Relating to United Kingdom Withholding Tax**

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Under HMRC published practice any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax.

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest (notwithstanding Condition 6.4). Subject to exemptions and/or reliefs, payments of interest can be subject to United Kingdom withholding tax.

The references to “interest”, “discount” or “premium” in this section headed “*United Kingdom Taxation*” mean respectively **interest**, **discount** or **premium** as understood in United Kingdom tax law. The statements in this section headed “*United Kingdom Taxation*” do not take any account of any different definitions of **interest** or **principal** which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation (e.g. see Condition 6.4 of the Notes).

#### **FOREIGN ACCOUNT TAX COMPLIANCE ACT**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date

that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

## SUBSCRIPTION AND SALE

The Dealers have in an amended and restated Programme Agreement dated 24 October 2022 (as amended and/or supplemented and/or restated from time to time, the **Programme Agreement**) agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement for any particular purchase by a Dealer will extend to those matters stated under “*Terms and Conditions of the Notes*” and “*Form of the Notes*” above. The Issuer may pay the Dealers commissions from time to time in connection with the sale of any Notes. In the Programme Agreement the Issuer has agreed to reimburse and indemnify the Dealers for certain of their expenses and liabilities in connection with the Programme and the issue of the Notes. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase Notes under the Programme Agreement in certain circumstances prior to payment to the Issuer.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer’s affiliates. Certain of the Dealers and their affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform financial advisory and other services for the Issuer or Issuer’s affiliates in the ordinary course of business. Certain of the Dealers may from time to time also enter into swap and other derivative transactions with the Issuer and the Issuer’s affiliates to hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Notes (a) as part of their distribution at any time and (b) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Terms used in the preceding paragraph and this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the **Code**) and Treasury regulations promulgated thereunder. The applicable Final Terms

will identify whether U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (**TEFRA C**) or U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (**TEFRA D**) applies or whether the United States Tax Equity and fiscal Responsibility Act of 1982 (**TEFRA**) is not applicable.

### **Prohibition of sales to EEA Retail Investors**

Unless the Final Terms in respect of any Notes specifies “*Prohibition of Sales to EEA Retail Investors*” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression **retail investor** means a person who is one or more of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### **United Kingdom**

#### *Prohibition of Sales to UK Retail investors*

Unless the Final Terms in respect of any Notes specifies “*Prohibition of Sales to UK Retail Investors*” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression **retail investor** means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; and
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

#### *Other UK regulatory restrictions*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

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

## Australia

This Base Prospectus and offers of Notes are only made available in Australia to persons to whom a disclosure document such as a prospectus or product disclosure statement is not required to be given under either Chapter 6D or Part 7.9 of the Australian Corporations Act 2001 (Cth) (the **Australian Corporations Act**). This document is not a prospectus, product disclosure or any other form of formal “disclosure document” for the purposes of Australian law, and is not required to, and does not, contain all the information which would be required in a product disclosure statement or prospectus under Australian law. No prospectus or other disclosure document (as defined in the Australian Corporations Act) in relation to the Programme or any Notes has been, or will be, lodged with the Australian Securities and Investments Commission (**ASIC**), or the ASX Limited or any other regulatory body or agency in Australia. The persons referred to in this document may not hold Australian financial services licenses and may not be licensed to provide financial product advice in relation to the securities. No cooling off regime applies to an acquisition of the Notes. In no circumstances is this document to be used by a “retail client” (for the purposes of the Australian Corporations Act) for the purposes of making a decision about a financial product.

This Base Prospectus contains general advice only and does not take into account the investment objectives, financial situations or needs of any particular person.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, unless the relevant Final Terms (or a relevant supplement to this Base Prospectus) otherwise provides, it:

- (a) has not made or invited, and will not make or invite, an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, this Base Prospectus or any other offering material or advertisement relating to the Notes in Australia,

unless:

- (i) the aggregate consideration payable by each offeree is at least A\$500,000 (or its equivalent in an alternative currency, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Australian Corporations Act;
- (ii) the offer or invitation does not constitute an offer to a “retail client” for the purposes of section 761G and 761GA of the Australian Corporations Act;
- (iii) such action complies with any applicable laws, regulations and directives (including without limitation, the licensing requirements set out in Chapter 7 of the Australian Corporations Act) in Australia; and
- (iv) such action does not require any document to be lodged with ASIC.

In addition, each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will comply with the directive issued by the Australian Prudential Regulation Authority dated 21 March 2018 as contained in Banking exemption No. 1 where the Dealer offers Notes for sale in relation to an issuance. This order requires all offers and transfers to be in parcels of not less than A\$500,000 (or its equivalent

in another currency) in aggregate nominal amount. Banking exemption No. 1 does not apply to offers for sale and transfers which occur outside Australia.

There may be restrictions on the offer for re-sale of any Notes in Australia for a period of 12 months after their issue. Because of these restrictions, investors are advised to consult legal counsel prior to making any offer for re-sale of any Notes in Australia.

## **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

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

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance



with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA.

Any reference to the **SFA** is a reference to the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has, unless otherwise specified before an offer of Notes, determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), the classification of all Notes to be issued under the Programme as “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## **Switzerland**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except where explicitly permitted by the relevant Final Terms:

- (i) except as set out below, it will not make a public offer of the Notes, directly or indirectly, in Switzerland, as such terms are defined or interpreted under the Swiss Financial Services Act (**FinSA**);
- (ii) the Notes will not be admitted by it to trading on a trading venue (exchange or multilateral trading facility) in Switzerland;
- (iii) it will not offer, sell, advertise or distribute the Notes, directly or indirectly, in Switzerland, as such terms are defined or interpreted under the FinSA, except to professional clients as such term is defined or interpreted under the FinSA (the **Professional Investors**); and

- (iv) no key information document pursuant to article 58(1) FinSA (or any equivalent document under the FinSA) has been or will be prepared in relation to any Notes and, therefore, any Notes with a derivative character within the meaning of article 86(2) of the Swiss Financial Services Ordinance may not be offered or recommended to private clients within the meaning of the FinSA in Switzerland.

The Notes may not be publicly offered, directly or indirectly, in Switzerland, except (i) to Professional Investors or (ii) in the case of Notes, the Final Terms of which explicitly permit a public offer in Switzerland. Offering or marketing material relating to Notes, the Final Terms of which do not explicitly permit a public offer in Switzerland, may not be distributed or otherwise made available in Switzerland, except to Professional Investors.

The Notes shall not be admitted to trading on a trading venue (exchange or multilateral trading facility) in Switzerland except in the case of Notes, the Final Terms of which explicitly provide for such an admission to trading in Switzerland.

**The Notes do not constitute participations in a collective investment scheme within the meaning of the Swiss Collective Investment Schemes Act (CISA). Therefore, the Notes are not subject to the approval of, or supervision by, the Swiss Financial Market Supervisory Authority (FINMA), and investors in the Notes will not benefit from protection under the CISA or supervision by FINMA.**

### **Taiwan**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in respect of Notes which are, or are to be, listed on the Taipei Exchange for sale to professional or general investors in Taiwan and to the extent permitted by the relevant Taiwan laws and regulations, it will only offer or sell such Notes in Taiwan to professional or general investors, as applicable; and
- (b) in respect of Notes which are not, and are not to be, listed on the Taipei Exchange, it will only offer or sell such Notes:
  - (i) to Taiwan resident investors outside Taiwan for purchase by such investors outside Taiwan;
  - (ii) to the Offshore Banking Units of Taiwan banks (**OBU**), the Offshore Securities Units of Taiwan securities firms (**OSU**) or the Offshore Insurance Unit of Taiwan insurance companies (**OIU**) purchasing the Notes either for their proprietary account or for the accounts of their non-Taiwan clients or for re-sale to qualifying Taiwan and non-Taiwan investors (**OBU/OSU/OIU Channel Sales**); and/or
  - (iii) to investors in Taiwan through certain licensed Taiwan financial institutions to the extent permitted under relevant Taiwan laws and regulations,

but shall not otherwise offer, sell or resell such Notes in Taiwan.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that to the extent it offers Notes to non-Taiwan clients via OBU/OSU/OIU Channel Sales, the relevant offering documents provided by it to such clients shall contain the following notification:

*“The Notes offered herein have not been reviewed or approved by the Taiwan authorities and are not subject to any filing or reporting requirement. The Notes are only permitted to be recommended or introduced to or purchased by clients of an OBU/OSU/OIU which clients reside outside Taiwan. Clients of an OBU/OSU/OIU are not eligible to use the financial consumer dispute resolution mechanism under the Taiwan Financial Consumer Protection Law.”*

## **General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have responsibility therefor.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## **GENERAL INFORMATION**

### **Listing**

The listing of Notes on the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to listing on the Official List of the FCA and to trading on the London Stock Exchange main market will be admitted separately as and when issued, subject only to the issue of a global Note initially representing the Notes of such Tranche.

Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's main market. The admission to listing of the Programme in respect of Notes is expected to be granted on or about 28 October 2022.

### **Clearing**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate common code and ISIN allocated by Euroclear and Clearstream, Luxembourg in respect of each Tranche of Notes will be contained in the relevant Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the relevant Final Terms.

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

### **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant and Material Change**

There has been no significant change in the financial performance or financial position of the Issuer or the Group since 4 April 2022.

There has been no material adverse change in the prospects of the Issuer since 4 April 2022.

### **Auditors**

The accounts of the Issuer for the years ended 4 April 2021 and 4 April 2022 have been audited by Ernst & Young LLP (EY), Chartered Accountants and Independent Auditors, without qualification, and in accordance with International Standards on Auditing (UK) as issued by the Financial Reporting Council in the United Kingdom. EY has no material interest in the Group.

### **Authorisation**

Issues of Notes under the Programme have been authorised by a resolution of the Board of Directors of the Issuer passed on 17 March 2021.

### **Litigation**

There are no, and have not been, 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.

### **Post-issuance information**

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

### **Documents available for inspection**

For a period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection at the website specified below:

- (a) the Memorandum and the Rules of the Issuer (<https://www.nationwide.co.uk/-/media/MainSite/documents/about/corporate-information/memorandum-and-rules.pdf>);
- (b) the Trust Deed (which contains the forms of the temporary and permanent global Notes, the definitive Notes, the Talons and the Coupons) and the Agency Agreement and all amendments thereto and restatements thereof (<https://www.nationwide.co.uk/about/investor-relations/funding-programmes/emtn>);
- (c) this Base Prospectus (<https://www.nationwide.co.uk/about/investor-relations/funding-programmes/emtn>); and
- (d) any future prospectuses and supplements including Final Terms to this Base Prospectus and the documents incorporated herein and therein by reference (<https://www.nationwide.co.uk/about/investor-relations/funding-programmes/emtn>).

The information on <https://www.nationwide.co.uk/> does not form part of this Base Prospectus, except where that information has otherwise expressly been incorporated by reference into this Base Prospectus.

### **Determination of Amounts Outstanding**

For the purpose of calculating the U.S. Dollar equivalent of the nominal amount of Notes outstanding under the Programme from time to time, the U.S. Dollar equivalent of Notes denominated in another Specified Currency (as specified in the relevant Final Terms) shall be determined, at the discretion of the Issuer, either as of the date of agreement to issue such Notes (the **Agreement Date**) or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of U.S. Dollars against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading bank selected by the Issuer on the relevant date of calculation.

The U.S. Dollar equivalent of any Zero Coupon Note and any other Note issued at a discount shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

## **PRINCIPAL OFFICE OF THE ISSUER**

### **Nationwide Building Society**

Nationwide House  
Pipers Way  
Swindon SN38 1NW  
United Kingdom

## **DEALERS**

### **Barclays Bank PLC**

5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

### **Citigroup Global Markets Limited**

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

### **Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

### **HSBC Bank plc**

8 Canada Square  
London E14 5HQ  
United Kingdom

### **Lloyds Bank Corporate Markets plc**

10 Gresham Street  
London EC2V 7AE  
United Kingdom

### **Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

### **Nomura International plc**

1 Angel Lane  
London EC4R 3AB  
United Kingdom

### **Société Générale**

29, boulevard Haussmann  
75009 Paris  
France

### **BNP Paribas**

16, boulevard des Italiens  
75009 Paris  
France

### **Credit Suisse International**

One Cabot Square  
London E14 4QJ  
United Kingdom

### **Goldman Sachs International**

Plumtree Court  
25 Shoe Lane  
London EC4A 4AU  
United Kingdom

### **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

### **NatWest Markets Plc**

250 Bishopsgate  
London EC2M 4AA  
United Kingdom

### **RBC Europe Limited**

100 Bishopsgate  
London EC2N 4AA  
United Kingdom

### **The Toronto-Dominion Bank**

60 Threadneedle Street  
London EC2R 8AP  
United Kingdom

### **UBS AG London Branch**

5 Broadgate  
London EC2M 2QS  
United Kingdom

**TRUSTEE**

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

Eighth Floor  
100 Bishopsgate  
London EC2N 4AG  
United Kingdom

**ISSUING AND PRINCIPAL PAYING AGENT AND AGENT BANK**

**Citibank, N.A., London Branch**

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

**LEGAL ADVISERS**

*to the Issuer*

**Allen & Overy LLP**

One Bishops Square  
London E1 6AD  
United Kingdom

*to the Dealers and the Trustee*

**Linklaters LLP**

One Silk Street  
London EC2Y 8HQ  
United Kingdom

**INDEPENDENT AUDITORS OF THE ISSUER**

**Ernst & Young LLP**

1 More London Place  
London SE1 2AF  
United Kingdom

**ARRANGER**

**Merrill Lynch International**

2 King Edward Street  
London EC1A 1HQ  
United Kingdom